

JPRS 80828

17 May 1982

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2270

FBIS

FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

17 May 1982

EAST EUROPE REPORT
ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2270

CONTENTS

INTERNATIONAL AFFAIRS

Hungarian-USSR Trade, Economic Relations Reviewed (FIGYELO, 31 Mar 82).....	1
Prospects of Trade With CEMA Countries Discussed (Peter Veresh; EKONOMICHESKOYE SOTRUDNICHESTO STRAN CHLENOV SEV, No 2, 1982).....	7

BULGARIA

Answers to Questions Pertaining to Application of New Economic Mechanism (IKONOMICHESKI ZHIVOT, various dates).....	14
Additional Answers to Questions on Application of Economic System (IKONOMICHESKI ZHIVOT, 17 Mar 82).....	32
Answers to Questions Concerning Application of New Economic Mechanism (IKONOMICHESKI ZHIVOT, 21 Mar 82).....	37
Minister Dwells on Agreement With USSR for Joint Timber Pro- duction in Komi (Yanko Markov Interview; IKONOMICHESKI ZHIVOT, 17 Mar 82).....	42
Report, Comment on Industrial Production in February 1982 (IKONOMICHESKI ZHIVOT, 24 Mar 82).....	45

GERMAN DEMOCRATIC REPUBLIC

Status of Combines in State Management System Discussed (STAAT UND RECHT, Dec, Aug 81).....	48
Rights, Duties Clarified, by Roswitha Dittmann, Ludwig Penig	
Improved Management Science Needed, by Rolf Steding	
Agricultural Measures Seen Bringing Only Partial Reform (DIE ZEIT, 9 Apr 82, FRANKFURTER RUNDSCHAU, 7 Apr 82).....	63
West German Analysis, by Joachim Nawrocki	
Self-Sufficiency a Distant Goal, by Claus Hoecker	
Tasks for Agricultural Machinery Construction Discussed (SAECHSISCHE ZEITUNG, 2 Apr 82, AGRARTECHNIK, Feb 82).....	69
Shortcomings Noted, by Joerg Marschner	
Goals for 1985 Outlined, by W. Eckhof	

HUNGARY

Bank President on Hungary's Foreign, Domestic Finances (Matyas Timar; PENZUGYI SZEMLE, No 3, 1982).....	78
Economic Decentralization Creates Problems of Competition, Monopoly	
(Otto Lukacs; FIGYELO, 31 Mar 82).....	85
Hungary's Input-Output Analysis Viewed in Perspective (Koos; FIGYELO, 31 Mar 82).....	88
Signs of Reform Within Large Enterprises Noted (Istvan Oroszi; NEPSZABADSAG, 2 Apr 82).....	91
Newly Independent Enterprises Deemed Successful (MAGYAR NEMZET, 10 Apr 82).....	96

POLAND

Problems of Foreign Debt Discussed (Stanislaw Raczkowski Interview; SLOWO POWSZECHNE, 12-14 Mar 82).....	98
Raw Materials Situation Analyzed Vis-a-vis Hard Currency Problems	
(ZYCIE GOSPODARCZE, 28 Mar 82).....	102
Secondary Raw Materials, by Franciszek Jurasz	
Imports Necessary, by Krzysztof Fronczak	

ROMANIA

Measures To Improve Activity of 'Romenergo' Foreign Trade Enterprise (BULETINUL OFICIAL, 23 Dec 81).....	110
Minister Discusses Priorities in Coal Mining Industry (Ion Lazarescu Interview; ROMANIA LIBERA, 27, 30 Mar 82)..	114

YUGOSLAVIA

Adverse Effects of Increased Trade With USSR Noted (Drago Buvac; VJESNIK, 17 Apr 82).....	119
Shortages in Food, Other Consumer Items Discussed (Drago Loncar; DANAS, 30 Mar 82).....	122

HUNGARIAN-USSR TRADE, ECONOMIC RELATIONS REVIEWED

Budapest FIGYELO in Hungarian No 13, 31 Mar 82 pp 1, 7

[Article by I. G. (Istvan Garamvolgyi): "Entering a New Decade"]

[Text] Hungarian-Soviet commodity trade is of vital importance to Hungary. As the combined effect of the events and phenomena unfolding in the world economy, the external economic conditions of our domestic economic development have been modified considerably. But Hungarian-Soviet economic cooperation has been less affected by the negative phenomena in the world economy, meaning the escalating prices, the worsening terms of trade, and the consequences of the imbalance of trade.

Value and Volume

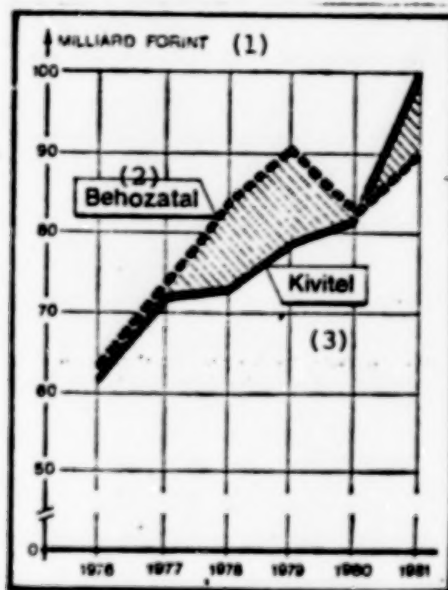
Calculated in rubles at current prices, the value of Soviet-Hungarian commodity trade in 1976-1980 nearly doubled over the preceding five-year period, and also the new long-term trade agreement calls for a significant--approximately 50-percent--increase in value during the present plan period. But since the mid-1970s, in Hungarian-Soviet trade just as in our foreign trade in general, there have been significant differences between the growth rates of trade in value terms and in [physical] volume. The growth rate of the volume of Hungarian-Soviet trade has been lower than the growth rate in value terms, and the former even shows a declining trend in comparison with previous five-year periods.

The special and, for the Hungarian economy, decisive role of our cooperation with the Soviet Union stems partially from the fact that the growth rate of deliveries --as a trend for the period 1950-1975--was faster than the growth rate of total Hungarian and total Soviet foreign trade, respectively. Furthermore, the higher-than-average growth rate was accompanied by a division-of-labor formula and commodity structure that took favorably into account the Hungarian economy's import needs and export capabilities.

However, the results and experience of Hungarian-Soviet economic cooperation and trade over several decades illustrate that the growth rate of the development of trade is influenced not only by a price structure that asserts the two countries' mutual interests, but also by the methods of cooperation. In other words, Hungary and the Soviet Union being CEMA countries, the intensity of their economic cooperation was influenced also by the methods and forms of cooperation within the socialist community.

Commodity Structure of Hungarian-Soviet Trade in 1981, in Percent

	<u>Import</u>	<u>Export</u>
Sources of energy, electricity	43.0	0.8
Materials, semifinished products, parts	36.0	20.2
Machinery, transport equipment, other capital goods	16.5	43.2
Industrial consumer goods	3.9	20.4
Food-industry raw materials, live animals, foods	0.6	15.4



The Value of trade in 1976-1981, in billion forints.

Key:

- 1. Billion forints
- 2. Import

- 3. Export

Already in the first half of the 1970s, and increasingly in their second half, it became perceptible that also between Hungary and the Soviet Union the methods of cooperation developed earlier--bilateral coordination of national economic plans, long-term trade agreements, narrowly employed production specialization--were less and less adequate for the dynamic growth of cooperation and trade. (In 1966-1970, the growth rate of Hungarian-Soviet commodity trade dropped to nearly one-half in comparison with the preceding plan period, slowing down more than the growth rate of total Hungarian foreign trade. Yet, in both countries, the rates of economic growth in this period were higher than in the preceding one.)

It was no accident that from the mid-1960s on--i.e., already before the formulation of the Complex Program, but essentially in its spirit--we were able to witness an upsurge of Hungarian-Soviet economic cooperation. It was characterized, among other things, by efforts to base both cooperation and the expansion of trade on the productive sphere.

Chronologically the first significant result of this was the fruit and vegetable agreement that called for the supply of fresh and canned fruit and vegetables, in volumes increasing with each plan period: from an annual average of 263,000 tons in 1966-1970, to 456,000 tons in 1971-1975, about 600,000 tons in 1976-1980, and more than 700,000 tons in 1981-1985. Cooperation between the aluminan and aluminum industries actually began in 1968, reaching 330,000 tons of alumina and 165,000 tons of aluminum ingots by 1980. No less significant in value terms was cooperation in the automotive industry that began in early 1970s and included also cooperation with VAZ [Volga Automobile Plants]. In addition to the bilateral specialization and cooperation agreements--other noteworthy ones were the olefin agreement, and the industrial rubber goods agreement--also multilateral production specialization--for example, the ESZR [Uniform Computer Technology System] program--had a favorable effect on the development of commodity trade.

During the past decade, transformation of commercial relations into production relations has proceeded in a spectacular manner and at a spectacular rate. Up to 1970, only three Hungarian-Soviet agreements for bilateral production specialization and cooperation were concluded, and their impact on trade was insignificant; by the end of the decade, the number of bilateral agreements rose to 33, and that of multilateral agreements rose to 80. The bilateral and multilateral agreements for production specialization and cooperation affect numerous sectors of engineering--the automotive industry, the machine-tool industry, electronics and radioelectronics, the production of medical instruments, the tractor and farm machinery industry--and also the petrochemical industry, pharmaceutical industry, and the production of plant protectants. The proportion of such deliveries, stemming from production relations, rose steadily through the end of the 1970s, reaching one-third: 40 percent in Hungarian export, and 20 percent in Hungarian import.

One-Third of Trade Turnover

The 1970s had a lasting effect--one that will assert itself also in the future--on economic cooperation between the two countries. First of all, the incorporation of economic cooperation into the domestic economic processes and development programs--through production cooperation, and bilateral and multilateral production specialization--proved an effective means of increasing trade, and to a large extent the rise in the volume of trade can be attributed to this. (In the period 1970-1980, the volume of mutual deliveries of specialized products increased severalfold.) However, a significant proportion of such volume-supporting cooperations have already reached the planned level and rate, and their maintenance and extension no longer have a turnover-boosting effect. It is indisputable that the implementation and realization of a few agreements--for example, of the already mentioned fruit and vegetable agreement, agrochemical agreement, and cooperation in the production of microelectronic components--have also such an effect. It appears that in the 1970s we were able to establish economic cooperation and trade more favorably than in the 1980s, primarily because domestic economic problems of an identical nature are limiting also the objective possibilities for the development of production and for economic growth.

In value terms, reflected in rubles and forints, the commodity structure of Hungarian-Soviet trade has hardly changed. But in terms of volume, expressed in physical units, the structure of the division of labor between the two countries has changed in some respects. The commodity structure of our export is still

characterized primarily by the predominance of manufactured products, but now this statement has to be refined. As a result of the output- and export-boosting effect of production specializations and cooperations, nearly 50 percent of Hungarian export is now concentrated in seven commodities or commodity groups, namely: automotive industry parts, subassemblies and finished products; communications- and computer-industry products; aluminum-industry products; pharmaceuticals; petrochemicals; and farm products. Our statistics on total export--i.e., ruble-denominated and nonruble-denominated jointly--show that in 1980 we sold to the Soviet Union 41 percent of our export of machinery and equipment, 31.2 percent of our export of industrial consumer goods, and 38 percent of our export of food-industry raw materials, live animals and food products. If we consider the statistics over a longer period, the change in the commodity structure of Hungarian export is characterized by a declining proportion of machinery and equipment, and a rising proportion of farm products.

So far as the commodity structure of import is concerned, even today obtain from the Soviet Union about 75 percent of our import of sources of energy and electric power, and slightly more than one-third of our import of raw materials and supplies. (The combined share of these two principal commodity groups in our 1981 import was nearly 80 percent.) But it is likewise common knowledge that the Soviet Union supply potential in these two principal commodity groups, which for decades had played a fundamental role in the development of economic cooperation and the expansion of trade, became limited already in the early 1970s, and an increase in volume became possible only in certain products, mostly through participation in the financing of investments for the development of production.

Effect of Changes

The various changes that occurred in the 1970s--to mention only the most important ones: skyrocketing prices that, although delayed, nevertheless cascaded into the CEMA price system; the radical change of the price ratios of raw materials; the Soviet economy's bottlenecks in the current production, domestic supply and export of energy sources and raw materials, accompanied by manpower and financing problems in a period of intensive development--affect also normal Hungarian-Soviet economic cooperation.

We could simplify the problems of cooperation in the 1980s by concentrating only on the problems of energy and raw materials. But we cannot disregard the fact that the objective possibilities for cooperation are not particularly favorable in other areas as well. For example, we deem it logical and necessary to curb our investment and accumulation activity. But the Soviet economy has been forced to do the same, although to a different extent. (State investment in 1985 may exceed the 1980 level by merely 5.4 percent.) All this is hardly conducive to, say, mutual trade in machinery. Nor is it a healthy phenomenon that in Hungarian-Soviet economic cooperation, amidst the present value and price relations, for example, the share of manufacturing industry is unprecedentedly low--barely 20 percent jointly for engineering and the sectors that produce consumer goods--despite the fact that manufacturing accounts for the bulk of the partner country's industrial potential and development.

We have already referred to the fact that the slowdown experienced in the 1960s in the expansion of trade and development of cooperation compelled the intergovernmental organs organizing and directing the two country's cooperation to revise the forms and methods of cooperation. At the start of the new decade, amidst foreign

and domestic economic conditions that are significantly more complex and more difficult, we must pave the way for a further expansion of cooperation that will enhance intensive economic development in both countries.

Direct Relations, Joint Enterprises

Already in recent years, the work of the intergovernmental commission for cooperation has been characterized by a search for new ways, methods and forms of cooperation, by the uncovering of the reserves in economic cooperation. In the final years of the preceding plan period, the existing cooperations and production relations were reviewed and evaluated, and among them only those cooperations and production relations were expanded in which both partners were interested. Under the preceding plan period, within the framework of scientific and technical cooperation, about 200 Hungarian enterprises and institutes participated in the elaboration of 450 topics and developed, jointly with the Soviet partner institutes, the prototypes and production technologies of 500 new products. To increase the economic yield of scientific and technical cooperation and to speed up the practical application of its results, the topics of cooperation for 1981-1985 were rated on the basis of their anticipated economic results, and manpower and material resources have been allocated to them accordingly.

Especially significant from the viewpoint of formulating and developing cooperation between the two economies in the 1980s is the long-range program for the development of production specialization and cooperation, one that embraces two plan periods. According to the program finalized in 1980, 20 subprograms for the most important branches of the economy attempt to specify the possibilities for the long-range development of bilateral production specialization and cooperation.

At the most recent session of the intergovernmental commission, held in Tbilisi, an agreement was reached that regards as desirable and makes possible direct cooperation between Hungarian and Soviet enterprises and economic organizations. Another topic on the agenda of the intergovernmental commission was the founding of joint enterprises. This decision marks the start of an important experiment whose primary objective is to let the operation of joint enterprises, founded within a narrow circle initially, reveal all the theoretical and practical problems that hamper the successful founding and operation of economic organizations of this type.

It can hardly be claimed that the efforts in recent years have already developed the concept, forms and methods, and have already uncovered all the objective and specific possibilities that can ensure in this decade the smooth, dynamic and mutually advantageous development of Hungarian-Soviet economic cooperation, in a way that will improve also the efficiency of the partner country's economy. The work so far has concentrated on uncovering those reserves whose utilization can enable both partners to significantly increase their deliveries as compared with the targets contained in the protocols on the mutual coordination of national economic plans and in the long-term trade agreement.

Let us cite an example: The Soviet Union's 5-year plan calls for intensive economic growth, but at a more modest rate. It nevertheless regards as a preferential objective and task a substantial improvement in the supply of goods and services for the population. (The projected increases are 18 percent for national

income, 23 percent for the retail turnover at unchanged prices, and 44.3 percent in the volume of services for the population.) At the time of the national economic plans' coordination, not much was yet known about this objective of the Soviet five-year plan. Only in recent years did the possibility arise of our participating in the program for the large-scale reconstruction of the consumer goods industry, through increased deliveries of modern food-industry machinery, machine lines, clothing-industry machinery, and of machinery and equipment for stores and the service industries. It may be assumed that the intergovernmental organs' intensive efforts to organize economic cooperation will uncover numerous other reserves for the expansion of commodity trade.

1014

CSO: 2500/191

PROSPECTS OF TRADE WITH CEMA COUNTRIES DISCUSSED

Moscow EKONOMICHESKOYE SOTRUDNICHISTO STRAN CHLENOV SEV in Russian No 2, 1982
pp 5-8

[Article by Peter Veresh, minister of foreign trade of the Hungarian People's Republic: "The Prospects for the Development of Foreign Trade Between the Hungarian People's Republic and the CEMA Member Countries in 1981-1985"]

[Text] Participation in the international division of labor is an objective necessity and, at the same time, an important factor in the economic development of every country.

A decisive role for us is played by the expansion of the international socialist division of labor and by cooperation with the socialist countries, and, first of all, with the Soviet Union. Regarding this, the First Secretary of the CC of the Hungarian Socialist Workers' Party Comrade Janos Kadar said at the 11th Congress of the Party: "The economic cooperation which is carried out within the CEMA increases the dynamics of the construction of socialism in all of the CEMA member countries, and for us, the Hungarian People's Republic, it represents an irreplaceable help. Cooperation carried out within the CEM has served and will continue to serve as a solid international foundation for our constructive labor within our country."

During the last 10 years, the economic relations of the Hungarian People's Republic (HPR) with the CEMA member countries have been developing rapidly, determining in this way the economic development of our country. This entire process can be divided into two fundamentally differing stages which are determined by the domestic development of the CEMA countries and by the external influences of world market fluctuations. Tendencies which took shape in the years 1976-1980 are exercising a decisive influence on the foreign trade development process of the current period.

During the years 1970-1975, the commodity turnover of the HPR with the socialist countries in value terms almost doubled. More than 60 percent of Hungary's commodity turnover is accounted for by this group of countries.

Hungary's largest capital investments which are influencing the development of entire branches of industry were made with regard to the needs of the other socialist countries. As an example, one may cite the expansion of the production

of transportation equipment, communications equipment, and instrument making products and computers whose development cannot be imagined without the use of the scientific and technical achievements of our partner countries. Of great importance was the realization of the olefin program in the field of the chemical industry. The production of this output is profitable only in the amount of 300,000-360,000 tons a year. Hungary's needs come to approximately one-half of this amount, and the remainder is exported, primarily to the socialist countries.

Beginning with 1976, the growth in the mutual foreign trade turnover of the CEMA countries slowed down compared to the preceding period. This feature is also characteristic for Hungary's commodity turnover with the socialist countries, especially during the last two years. The following two factors have played a role in the formation of this tendency.

First, in Hungary, as in most of the CEMA countries, it has become objectively necessary to shift to an intensive stage of development. Extensive sources for development have been practically exhausted (for example, additional resources of labor power), or, as a result of their increased cost, can be taken into consideration only if the economy is managed more economically (for example, raw materials and energy carriers). In the future, the basis of development will be comprised of an increase in productivity, the development of more efficient production methods, and an improvement of the quality of economic activity. The shift by the CEMA countries to the intensive path of development and the difficulties which exist here already by themselves cause a certain decrease in growth rates.

Secondly, in 1973-1974 crisis phenomena were exacerbated in the economies of the capitalist countries. The energy crisis, the rapid increase in petroleum prices, a decline in production, a decrease in the foreign trade growth rates, and other elements which arose as a result of the changed balance of power between the developed capitalists and the developing countries also created new conditions in the world economy for the development of the socialist countries. These circumstances, it is true, influence the individual CEMA countries to varying degrees, depending upon the production structure of their countries and their raw materials and energy resources.

Hungary belongs among those countries upon which, as a result of the special characteristics of their production structure and their limited raw materials resources, the tendencies of the world market had a very negative influence. For Hungary the proportions of exchange in foreign trade changed unfavorably, first with the capitalist countries, and then with the socialist countries. In order to solve its balance problems, the HPR was compelled to slow down its economic development rates.

Despite the difficulties connected with the above-enumerated foreign and domestic factors, during the years 1976-1980, as during earlier years, important results were achieved in the cooperation between Hungary and the CEMA countries.

From 1976 through 1980, the commodity turnover with the socialist countries in value terms increased by approximately 60 percent. During this period, as was the case earlier, most of this commodity turnover (55-60 percent) was accounted for by the socialist countries, including around one-half by the Soviet Union.

The following example gives a good indication of the importance of cooperation with the socialist countries for the foreign trade and for the economic development of Hungary. In 1980, the CEMA countries accounted for 75 percent of the machinery exports, more than 55 percent of the agricultural and food output, 50 percent of the consumer goods, and more than 40 percent of the raw materials and materials exports. At the same time, the HPR imported around 90 percent of our energy carriers which are so important for us, 65 percent of our machines, 60 percent of our consumer goods, and approximately 40 percent of our raw materials and materials from the socialist countries. Hungary's needs for energy, fuel, and raw materials were met primarily through deliveries from the USSR, and also from the CSSR, the GDR, and the Polish People's Republic.

In order to provide the country's economy with raw materials, energy, and fuel, the HPR has taken part in joint capital investments: for example, in the construction of the "Soyuz" Gas Pipeline, the construction of the Vinnitsa (USSR)-Al'bertirsha (HPR) 750-kilovolt electric transmission line, and in the creation of new capacities for the production of ammophos at the Kingisepp Combine, the Ust'Ili Cellulose Plant, and the Kiyembayev Asbestos Mining Enriching Combine.

Hungary's participation in the construction of the Vinnitsa (USSR)-Al'bertirsha (HPR) electric transmission line has made it possible to increase electric energy imports from the Soviet Union. Whereas in 1975 Hungary bought 4.2 billion kilowatt-hours of electric energy in the USSR, in 1980 this figure came to 7.5 billion kilowatt-hours, that is, one-fourth of its total need for electric energy.

An atomic electric power station is now being built in the city of Pakshe on the basis of an agreement between the HPR, USSR, and CSSR.

In 1974, Poland, the Soviet Union, and Czechoslovakia signed a cooperation agreement in the field of the production of mining machinery and equipment which was joined in 1976 by Hungary. Participation in this agreement is helping to strengthen the technical base for the development of our domestic coal mining.

The "Soyuz" Gas Pipeline is the largest facility which in the future will supply the CEMA countries with natural gas from the Soviet Union. In proportion to its participation in its construction, every year Hungary will receive 2.8 billion cubic meters of gas on the pipeline from the Soviet Union.

Despite lagging in deliveries of certain types of raw materials, Hungary regards its participation in the fulfillment of the fuel and energy tasks mapped out in the Overall Program as fruitful.

By basing ourselves on cooperation with the CEMA countries, we have also succeeded in achieving results in the development of the domestic extraction of energy carriers. We are trying to halt the growth rates of the consumption of fuel and energy carriers by means of the adoption of measures aimed at their more economical use, the replacement of petroleum and gas by other energy sources, and an increase of our own resources in the energy balance.

In the field of the processing industry, a large role is being played by deliveries which are performed on the basis of bi- and multilateral agreements on production specialization and cooperation. At the present time, Hungary is participating in the realization of 90 multilateral and 160 bilateral agreements.

In 1980, around 35 percent of the exports sent to the CEMA countries was made up of deliveries of specialized output, while in imports from the socialist countries its share reached 25 percent. Production specialization and cooperation agreements are the basis for the development in the HPR of the production of buses and cranes, and also of computers. Specialization is the basis for the development of the production of communications equipment, agricultural machine building, the "bauxite-alumina-aluminum" industrial chain, and the chemical and pharmaceutical branches of industry.

It is necessary to make special mention of the fact that the vast majority of the output which is produced within the framework of production specialization and cooperation is made up of machinery and equipment. Last year, their share in Hungarian exports of specialized goods came to 75 percent, and 60 percent in imports.

Production specialization and cooperation agreements on motor vehicle road transportation equipment, communications equipment, and instrument making are very important for the development of Hungarian machinery and equipment exports. In imports the same role is played by agreement in the field of production of construction and road construction machinery, agricultural equipment, and petroleum extracting equipment. In Hungarian machinery and equipment exports based on specialization motor vehicle road transport accounts for 52 percent, and communications equipment, computers, and instrument making output for more than 20 percent.

Hungarian agricultural output and foods (vegetables, fruits, grains, meat and meat products, and so forth) play an important role in satisfying the import needs of the GDR, USSR, and CSSR.

Cooperation within CEMA has also promoted the good results achieved by Hungary in the field of agriculture. Production conditions both in cropping and in animal husbandry have been favorably influenced by the multilateral scientific and technical relations, the production specialization, and the exchange of experience which are carried out in many fields of agriculture.

The planning of the development of the mutual foreign trade of the CEMA countries for 1981-1985 has practically ended with the coordination of plans, and then the

conclusion of long-term trade agreements. At the present time, there are questions which require an urgent solution. And this is natural. It is important that we always approach these questions in the manner which was described in the report at the 26th Party Congress by the General Secretary of the CC CPSU Comrade Leonid Il'ich Brezhnev: "The problems which arise during the course of our cooperation are solved by us jointly, and we seek ways for the most correct combination of the interests of each of the fraternal countries and our common interests."

Foreign trade occupies a central place in the Sixth Five-Year Plan for the economic development of Hungary for the years 1981-1985. The chief task of our economic policy is an improvement of the national economic and, especially, the foreign economic balance of our country. The latter means not only balancing commodity turnover with the capitalist countries. As a consequence of a change in the proportions of the exchange, the balancing of Hungarian goods imports from the socialist countries demands growing exports of our goods. This is an extremely important task for Hungary.

On the basis of the coordination of plans with the CEMA countries for 1981-1985, the commodity turnover growth rates during this period will not exceed the indicators of the previous five-year period. During the course of the negotiations for an agreement on mutual goods deliveries, the Hungarian side made every effort to preserve the dynamics of commodity turnover growth rates in the future also. Taking our possibilities and the possibilities of the other CEMA countries into consideration, it can be said that the planned dynamics is realistic. At the present time, we regard the discovery of additional new possibilities for mutual deliveries as an important and permanent task.

Despite the slower growth rates, the cooperation which is carried out by Hungary with the CEMA countries and, first of all, with the Soviet Union in the field of foreign trade will continue to be of decisive importance for us. The CEMA countries' share in Hungary's commodity turnover comes to more than 50 percent, and in certain fields much more than that.

After the conclusion of the long-term agreements, the Hungarian side set itself the task during the preparation of the annual protocols on commodity turnover of finding additional possibilities for exports and imports with the help of which the amount of mutual deliveries can be increased. We are proceeding here from the following considerations:

an increase in imports from the socialist countries properly balanced by exports can have a positive influence on our country's economic development;

although the difficulties which have arisen as a result of a change in domestic and foreign economic conditions require the mobilization of substantial material resources from certain CEMA countries, we are convinced that these problems can be solved precisely by means of a further deepening of socialist economic cooperation, including an expansion of our foreign trade relations.

In the field of the commodity turnover which is planned between Hungary and the CEMA countries for 1981-1985, we assume that we will:

continue the production and commodity exchange which has already justified itself within the framework of various specialization and cooperation agreements. We intend to raise both the number and the quality of these relations which are calculated for the long term;

devote especial attention to the tasks which have been placed upon us by the long-term special-purpose cooperation programs.

We think that there will not be any substantial changes in the macrostructure of Hungary's commodity turnover. We expect the most dynamic development both in exports and in imports in the chemical and machine building industries.

At the present time, what is important is for the CEMA member countries, during the course of their cooperation, to react in time to changes in foreign and domestic conditions. It is necessary to have a regular exchange of opinion on the problems which arise in the practice of cooperation in the field of foreign trade, and also the development of proposals aimed at solving them.

One of the important factors, in our view, is the work of the CEMA Permanent Commission on Foreign Trade which during the 25 years of its existence has solved a large number of complex and difficult problems.

The commission has provided assistance in the creation of such projects as the "Soyuz" Gas Pipeline, the Vinnitsa-Al'bertirsha electric transmission line, the Ust'-Il'msk Cellulose Plant, the Kiyembayev Asbestos Mining Enriching Combine, and so forth.

In the future also Hungary intends to take active part in examining cooperation questions both within the framework of the CEMA Permanent Commission on Foreign Trade whose work we highly value and within the framework of other agencies of bilateral and multilateral cooperation.

In our opinion, it would be useful to undertake further joint efforts for the development of cooperation on the questions of:

a further development of the legal contract system;

a fuller guarantee of the fulfillment of contractual commitments, for example, with respect to operational planning and management and the development of norms aimed at increasing the responsibility of enterprises;

the development of forms of more flexible contacts between economic organizations;

an acceleration of international specialization, especially in the field of the production of spare parts and parts and units in order to ensure their uninterrupted supply;

assisting the development of multilateralness in mutual commodity turnover by means of increasing the role of the transferrable ruble.

During the preparations for the work on cooperation for the years 1981-1985, Hungary, like the other CEMA countries, strove to see to it that, in addition to the consideration of its own interests, its activities promoted a deepening of integration within the CEMA framework. We have confidence that the agreements which have been concluded will provide good service in further strengthening the economic and political might of the socialist countries.

COPYRIGHT: Sovet Ekonomicheskoy Vzaïmopomoshchi Sekretariat Moscow 1982

2959

CSO: 1825/53

ANSWERS TO QUESTIONS PERTAINING TO APPLICATION OF NEW ECONOMIC MECHANISM

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 10, 17, 24 Feb, 3, 10 Mar 82

[10 Feb 82 p 3]

[Text] With this issue the editors of IKONOMICHESKI ZHIVOT begin to publish answers to questions raised on the application of the Regulation on the Economic Mechanism. The answers were prepared by the group in charge of interpreting and explaining the decree on improving the economic mechanism during the Eighth 5-Year Plan and the related documents.

1. Question: How to proceed if an enterprise must hire additional workers as a result of the installation of new capacities? Should a permission be sought, and if so from whom?

Answer: Starting with 1 January 1982, the economic organizations and enterprises will not have assigned personnel ceilings. This will enable them freely to hire the necessary additional workers, including in cases when this is required as a result of the installation of new production capacities.

In order for the economic organizations and enterprises to have the necessary wage fund, should the personnel be increased as a result of the installation of new capacities, the increased number of shifts, the increased production of goods in demand, etc., the Regulation on the Economic Mechanism stipulates the following: if the general income is increased as a result of the increased number of personnel, the basic wage fund can be increased by one percent for every percentage of increase of the general income rather than in accordance with the norm approved by the Council of Ministers. This privilege may be used only to the extent to which the general income has increased, agreed upon in advance with the authorities which have approved the state planned task of the economic organization. In the case of enterprises, this must be coordinated with the economic organization.

2. Question: Is the enterprise collective allowed to choose its own economic organization?

Answer: The inclusion of a given unit (enterprise or production-economic unit) within one economic organization or another is based on the law governing its establishment or the approval of its organizational-production structure.

Decisions on the reorganization of the unit, including its transfer from one economic organization to another, must be made by the organs listed in detail in Article 103, paragraph 1, of the Regulation on the Economic Mechanism. Suggestions regarding the reorganization may be submitted by ministers or leading organs of economic organizations. The regulation does not stipulate that such suggestions may be made by the units themselves. However, nor are such initiatives on their part specifically forbidden. This means that the collectives of the units can also submit suggestions on being transferred to other economic organizations if dictated by national economic interests.

3. Question: How will the wage fund be regulated if structural changes are made in the economic organization or the enterprise?

Answer: Article 4, paragraph 2 of Decree No 53 of the Council of Ministers, dated 31 December 1981, which ratified the Regulation on the Economic Mechanism, stipulates the possibility of the State Committee for planning and the Ministry of Finance, together with the respective sectorial ministry, to change the basic general income of economic organizations whose end economic results have been adversely affected by natural or other objective factors, including substantial changes in the structure of the economic organization or in its activities.

Such changes must be reported to the economic organizations together with the approval of their state planned assignments.

In such cases the economic organizations have the right to make changes in the basic general income of their enterprises and inform them of such changes when they receive their mandatory planned assignments.

4. Question: Can economic organizations differentiate among the individual enterprises in terms of the norm of the tax on balance sheet profits in accordance with profitability differences?

Answer: The economic organizations have no right to differentiate in terms of the tax norms issued by the Council of Ministers. Such norms are uniform and applied mandatorily to all enterprises.

5. Question: Can markups on the prices of "K" rated commodities be included in the balance sheet profit?

Answer: Price supplements for "K" rated goods are included in the revenue from goods marketed and are thus expressed in the balance sheet profit as well.

6. Question: Has the economic organization the right to issue its branches higher mandatory planned assignments compared with the planned assignments issued by the state?

Answer: The sum total of the mandatory planned assignments issued the branches cannot exceed the state planned assignments issued to the economic organization. This means that the economic organization has no right to develop a

reserve through the plan in terms of state profit assignments, foreign exchange revenue or goods marketed in terms of physical units. In terms of marketing assignments, the stipulation must be interpreted as follows: assuming that the economic organization has been issued mandatory marketing assignments on the basis of 1,000 units of a certain item, it cannot assign the production of a greater or lesser amount of goods. If the production of another 1,000 units becomes necessary, such output may be accepted by the respective enterprises on the basis of their counterplans. This means that their planned assignments have not been increased but that they have accepted to produce more items. In such cases, the economic organization must provide all the additionally required material and other resources and conditions within its competence.

As to the mandatory planned assignments on marketing goods for which the economic organization has not been issued state planned assignments, it can issue such instructions to its enterprises in accordance with their capacity and resources. The economic organization has the right to issue mandatory indicators and determine the types of goods to be produced not included in the national material balances but important in terms of intraeconomic production cooperation or other major reasons, etc.

7. Question: Can the funds included in the maximum amount of the wage fund, related to savings on materials, apply to production cost and do they have to be indicated in line 12 of the form on the formation and distribution of income?

Answer: The production cost must include the total amount of actually computed wages based on payment vouchers, including payments for the conservation of materials. Line 12 of the form indicates the share of the thus computed wages, consistent with the amount of goods marketed.

8. Question: How will the wage funds for activities financed out of the Expansion and Technical Improvements and Social and Cultural Measures funds be computed on the basis of the plan and reported plan fulfillments?

Answer: The size of the personnel and the amount of the wage fund for activities financed out of the Expansion and Technical Improvements and Social and Cultural Measures funds will be determined by the corresponding managements, depending on the specific requirements of the economic organization. Any increase in such funds, all other conditions being equal, however, will result in a reduction in the maximally possible wage fund which can be set aside in accordance with the income of the economic organization.

9. Question: How to determine the wage fund for subunits operating on the basis of their internal cost accounting and which do not draw up forms on the formation and distribution of income?

Answer: The wage fund of subunits which do not have forms on the formation and distribution of income may be computed in accordance with the stipulations of Article 227 of the Regulation on the Economic Mechanism, as pertaining to

brigades, or on the basis of any other suitable method accepted with the internal regulations governing the organization of the wage system.

10. Question: Can the withholding norm for the Expansion and Technical Improvements Fund be differentiated?

Answer: Withholdings for the Expansion and Technical Improvements Fund will be based on the balance sheet profit norm. This norm will be determined independently by the economic organization, depending on specific requirements. The minimum amount of withholdings cannot be lesser than four percent of the general income.

The norm governing the minimum amount of withholdings shall apply uniformly to all economic organizations and may not be differentiated.

11. Question: What is the basis for computing withholdings for the Managerial Expenditures Fund?

Answer: Withholdings for the Managerial Expenditures Fund shall be based on a ceiling approved by the respective minister and, in the case of enterprises, by the manager of the economic organization, on the suggestion of the collective management organ.

12. Question: Have the economic organizations the right to build housing facilities paid for out of their own funds?

Answer: Economic organizations and enterprises have the right to build their own housing facilities without restriction using the Social and Cultural Measures Fund, providing that they secured for themselves in accordance with the proper procedure the necessary construction materials, construction organization, building lots, etc.

13. Question: Why does the Regulation on the Economic Mechanism limit the use of the normative cost in the organization of internal cost effectiveness?

Answer: There are no restrictions on the application of the normative production cost. It will be used above all in terms of brigades and other production and economic units which do not have enterprise status, or which do not draw up documents on the formation and distribution of income.

[No 7, 17 Feb 82]

[Text] 14. Question: How will the amount of the tax on profits from purchasing, procurement and sales of secondary raw materials be computed?

Answer: The tax will amount to 40 percent of the balance sheet profit, same as trade and marketing-procurement activities.

15. Question: Council of Ministers Decree 53-0 of 31 December 1981 stipulates that profits from commercial and marketing-procurement activities shall be taxed 40 percent, while profit from other activities--55 percent. No tax will be

levied on profits from services to the population. What tax rate will apply in the case of economic organizations engaged in mixed activities?

Answer: If the economic organization is engaged in activities whose profits are taxed on the basis of different norms, the norm approved for each separate activity shall apply, providing that it is kept as a separate account. In cases in which this mandatory condition is not met, the tax shall be paid according to the tax rate for the main activity.

16. Question: In what cases will the effect of Article 20 of the now cancelled Regulation on the Organization of Wages be retained and in what cases will Article 199, paragraph 2, of the Regulation on the Economic Mechanism apply?

Answer: Article 199, paragraph 2, applies to all ministries and other departments which are using Section I of the Regulation on the Economic Mechanism and to all economic organizations and their branches using Section II of the same regulation. All other organizations and establishments shall apply Article 20 of the cancelled Regulation on the Organization of Wages. In terms of such organizations and establishments Directive No 16 of 1977 and Circular No 0-3 of 1980 of the former Committee on Labor and Wages shall remain valid.

17. Question: What is the difference between the additional wage and the additional determination of a table of organization wage?

Answer: The additional wage (supplement) is an addition to the wage as defined in accordance with the Uniform Table of Organization rate.

In cases of additional determination of Table of Organization wages, the specific amount of the T/O wage of the corresponding individual shall be established by agreement, in accordance with the assessment of the collective management organ, regardless of the amount stipulated in the T/O for the respective position.

18. Question: Can a collective management organ determine the additional wage of a manager or specialist appointed by a superior organ?

Answer: The collective management organ may pass a resolution on the amount of the additional wage paid such an official and submit suggestions to the respective superior hiring organ. The superior organ cannot approve this wage without the agreement of the collective management organ.

19. Question: Article 36, paragraph 2 of the Regulation on the Economic Mechanism lists the state price organs without determining their rights in terms of approving prices of individual commodities and services.

Answer: The rights of the individual price organs will be determined by the Council of Ministers before 31 March 1982. The rights stipulated in Articles 38 through 54 of the revoked price regulation remain effective.

20. Question: How will production cost reductions based on the saving of material outlays in the case of non-comparable goods be computed? Will such

savings be computed on the basis of 100 leva's worth of commodity output or on the basis of another value measure?

Answer: Reduction in production costs in terms of determining the maximally possible wage fund will be computed only on the basis of the actual savings of direct material outlays per unit of output compared with the preceding year. This means that we are dealing with comparable goods only. Reductions based on 100 leva commodity output or any other value indicator will not be allowed.

[No 8, 24 Feb 82]

[Text] 21. Question: Until the end of 1981 the practice was to take over the reserves which had been developed by the working people in the formulation of counterplans and in the course of their implementation, by including them in the state plan assignments or by correcting the plans, amending base indicators, confiscating available funds, etc.

Does the Regulation on the Economic Mechanism provide for some guarantees against such actions, and how are they manifested?

Answer: The economic mechanism has created conditions for the consistent application of the new planning technology and makes the state and the counterplans entirely clear. The state plan of the economic organizations will include a minimum number of assignments based on a limited number of indicators, with a view to insuring the national balances and obligations of our country toward other countries. It is on the basis of these assignments that the economic organizations and labor collectives will formulate their own counterplans. The counterplan is an overall expanded program for production-economic activities, which not only guarantee the implementation of state planned assignments but offers additional possibilities of increasing production and upgrading its effectiveness. The mechanism provides for a number of new incentives aimed at increasing the interest of the labor collectives in the fullest possible utilization of the existing tremendous reserves and possibilities in our economy and drastically improving its effectiveness. Under such circumstances, the old practice of confiscating reserves discovered with the help of the counterplans and in the course of their implementation becomes incompatible with the tasks and objectives of the economic mechanism and will no longer be allowed. To this effect, the Regulation on the Economic Mechanism provides the following legal guarantees:

First, the state plan assignments of the economic organizations will be approved directly by the Council of Ministers which is the only one entitled to amend them.

Second, changes in the state plan assignments may be made only when production and marketing conditions have changed substantially and only twice annually: before 5 April and before 15 September. Any change must be discussed in advance with the economic council (management) of the economic organization.

Third, should state plan assignments be amended, under no pretext could the reserves established with the counterplans or in the course of their

implementation be confiscated. Any change which violates this stipulation will be considered invalid.

These stipulations also apply to relations between economic organizations and their enterprises. Furthermore, the economic organizations have no right to issue their enterprises higher assignments compared with those approved by the Council of Ministers. Should it become necessary for the enterprises to assume additional assignments for the production of individual items, they can do so by additions to their counterplan, after reaching a proper agreement with the management of the economic organization on procurements of additionally required resources and procurement conditions.

On the basis of such clear stipulations, any effort to confiscate the reserves of labor collectives by raising their mandatory assignments or by any other means shall be considered illegal and punishable in accordance with the country's laws.

22. Question: Does the economic organization have the right to confiscate and redistribute the cash funds of its enterprises?

Answer: The regulation on the economic mechanism limits the rights of economic organizations to confiscate and to redistribute enterprise cash funds. Henceforth, this right will apply only to investment funds. The assets of other funds and from earnings of individual enterprises cannot be confiscated and redistributed.

In the case of investment funds, centralizing possibilities may be reduced to the following: the economic organization may centralize enterprise funds as follows:

First, no more than 60 percent of withholdings for the Expansion and Technical Improvements Fund, based on the income formation and distribution system.

Second, no more than 80 percent of amortization withholdings.

Such assets shall be deposited in the Expansion and Technical Improvements Fund of the economic organization, from which it will finance its measures related to the implementation of the policy of developing its overall activities.

The specific amount of such centralized assets will be determined by the economic council with its counterplan. In passing such resolutions, the economic council must take into consideration the need for funds for the individual enterprises, with a view to insuring the fulfillment of their approved mandatory plans.

Enterprise investment funds cannot be centralized in excessive amounts, thus hindering enterprise work. On the contrary, the economic organization must add to the funds of its enterprises should it become necessary, so that they could carry out their assignments successfully.

The need to limit the possibilities of the economic organizations to centralize the enterprise funds is dictated by the requirement of applying the stipulations of self-financing to enterprises as well. Nevertheless, the economic organizations have been given adequate opportunities to acquire funds for financing their programs for the overall improvement and development of production and economic activities.

We must point out that in this case again the available assets of the Expansion and Technical Improvements Fund of the enterprises may be used by the economic organs but only temporarily and as a loan. This is allowed only with the permission of the enterprises, on the basis of agreements reached by the economic organization and by decision of the economic council.

23. Question: In the case that an economic organization has adequate assets in its Expansion and Technical Improvements Fund, meeting the norm for working capital, must it mandatorily use bank loans?

Answer: It must not. Bank loans may be a source of necessary working capital only when the economic organization is short of funds.

24. Question: How will the additionally acquired wage fund be distributed after the implementation of the counterplan—monthly, quarterly, or at the end of the year?

Answer: The resulting-residual wage fund will be distributed monthly on a cumulative basis, starting with the beginning of the year, for current wages, additional bonuses, additional wages, bonuses based on annual production and economic results and wage reserves. The funds set aside for current wages will be based on the work done by the personnel in terms of quantity, quality and other requirements and established wage rates and, in the case of the administrative personnel, on the basis of a percentage of the overall profit. If there is a wage fund balance, after deducting funds for current wages, will be distributed for other purposes based on norms or ceilings stipulated in advance with the counterplan. No less than one percent of the total amount of the result-residual wage fund may be set aside as wage reserve. The wage fund amounts owed the individual brigades will be distributed among their members in accordance with methods adopted at the general brigade meeting on assessing individual contributions.

These circumstances make it clear that the wage fund earned by the individual brigades will be distributed in its entirety on a monthly or quarterly basis (depending on whether or not final payments are made monthly or quarterly); at the end of the year bonuses based on annual production and economic results may be given, provided that funds have been set aside for this purpose.

25. Question: Is it possible in a shop in which the regular wage of the shop chief is 200 leva monthly to pay additional wages to individual specialists in excess of this amount, providing that in accordance with the Uniform Table of Organization rate they may not earn more than 195 leva per month? Is there a stipulation according to which the wage of an individual may be determined on a one-to-one basis only if that individual earned that kind of a wage before?

Answer: The Regulation on the Economic Mechanism calls for individual wages of some managers and specialists with proven high capabilities and skills to be determined on an individual basis, regardless of the stipulations of the Uniform Table of Organization. This means that the individually determined wage may be higher than the one stipulated in the Uniform Table of Organization. No restrictions are contemplated in the individual determination of wages. The size of the wage will depend exclusively on the evaluation of the corresponding collective management organ and the trade union committee and the amount of available funds.

Individual wages may be paid providing that the official meets the necessary quality requirements, regardless of whether or not similar wages have been paid to the individual previously.

We must point out that the possibility of paying individually stipulated wages must be used cautiously and apply mainly to highly skilled specialists who clearly stand out in terms of their qualities and capabilities as well as contributions to results.

Individual wages are a method for the development of cadres with the help of higher salaries for proper reasons, without promotions.

26. Question: When do economic committees and economic councils act as collective management organs?

Answer: According to the laws effective until the end of 1981, the economic committee was the collective management organ of a subunit of an economic organization. The economic council played the role of such an organ in the economic organization. Starting with 1 January 1982, the economic council will be the collective management organ of economic organizations and their enterprises. On an exceptional basis, other production-economic units, such as individual production facilities, large shops, branch farms, etc., may elect economic councils by decision of the general assembly of workers and employees.

27. Question: Does the economic council or the general meeting of workers and employees of the enterprise have the right to invalidate decisions passed at the general brigade meeting on the distribution of wage funds?

Answer: The general brigade meeting is the only organ which can adopt internal regulations governing the distribution of the earned wage fund among its individual members and approve the actual distribution of the funds. The decisions of the brigade are not subject to ratification and can neither be invalidated nor changed by the collective management organs of the enterprise.

28. Question: Can personalized wages be paid also in the case of wage fund over expenditures?

Answer: The personally stipulated wages are not guaranteed. They can be paid within the limits of the wage funds earned by the administrative apparatus. This means that should such funds be insufficient, the personal salaries shall

be reduced in accordance with existing possibilities, without a guaranteed minimum, as is the case of wages based on the Uniform Table of Organization.

29. Question: Are deputy chief directors and directors of blocks automatically members of the economic council or are they to be elected in accordance with stipulated procedures?

Answer: The economic councils include by right only the heads of economic organizations and enterprises (general directors or chief directors of economic organizations, enterprise directors, etc.). All other members of the economic council must be mandatorily elected. Deputy directors and other executives who are not elected members of the economic council may participate in its work in an advisory capacity. (To be followed.)

[3 Mar 82 p 3]

[Text] Aspects of the Economic Mechanism

The airing of one more cycle is about to begin in a series of broadcasts on Bulgarian television about the new economic approach and the improved economic mechanism introduced since the beginning of this year. Under the title of "Aspects of the Economic Mechanism," 12 specialized educational broadcasts will be shown on the first program at 1250 hours in the following sequence: for economic executives on 2 and 3 March; for accounting personnel on 4, 9 and 10 March; for planners on 11 and 16 March; for brigade leaders on 17, 18, 23 and 24 March; for collective administrative bodies on 25 March.

Television viewers and especially those for whom the broadcasts are intended can watch the series on "Aspects of the Economic Mechanism," in which, in addition to the theoretical introduction, useful advice is given regarding the practical application of the fundamental principles of the mechanism.

Question 30: In what cases may economic organizations transfer monies from the Wage Fund to the Social Welfare and Cultural Measures Fund?

Answer: Economic organizations may transfer moneys from the Wage Fund due them to the Social Welfare and Cultural Measures Fund, including monies from transient balances, both before and after regulation of the increase of the average gross wage, but on condition that they observe the limitation of article 180, paragraph 3, subparagraph 2 of the Regulations on the Economic Mechanism, according to which the percentage increase in the monies actually deducted for the Social Welfare and Cultural Measures Fund per person, as compared with the preceding year, may not exceed the increase of the average gross wage after regulation thereof.

Question 31: May economic organizations in their counterplan anticipate the deduction of monies for their funds in an amount less than the minimum approved normatives?

Answer: No, they may not. Economic organizations in their counterplan must, in addition to meeting their approved state planned target, guarantee their own complete self-support, including the income necessary for the expansion and improvement of production and for the social development of the labor collectives. According to article 183 of the Regulations on the Economic Mechanism, economic organizations may do this by accounting procedure only when the economic organization's income according to the flow chart does not suffice for the maximum possible Wage Fund deduction. In this case the available monies are allotted proportionally to the several funds subject to observance of the ratio between them specified in the planned flow chart, while, by decision of the economic council, monies do not have to be deducted for the Economic Risk Fund.

Question 32: In what cases must economic combines draw up an income formation and distribution chart for the basic enterprise?

Answer: Economic combines with enterprises must draw up, in addition to an overall chart, an individual chart for the basic enterprise. Economic combines without enterprises compile a single chart, showing the basic unit's results inclusively on each line of the chart.

Question 33: In determining the bases for the participation of executive personnel and key specialists, may other indicators than those in article 196, paragraph 2, of the Regulations on the Economic Mechanism be used?

Answer: According to article 196, paragraph 2, of the Regulations on the Economic Mechanism, the bases for the participation of executive personnel and key specialists must be determined according to the fulfillment of the state planned target for aggregate profit and foreign-exchange receipts. In keeping with the specific character of the work concretely performed by executive personnel and key specialists, other indicators may also be used in determining their bases for participation.

Question 34: Within what period of time (month or quarter) must the individual wages of office workers included in brigade membership be determined and paid?

Answer: The individual wages of office workers included in brigade membership must be determined and paid by the month, just as for manual workers.

Question 35: Do the edicts of article 7 of Council of Ministers' decree No. 32/1980 regarding the personal material liability of executive personnel at all levels of administration for exceeding the limits (normatives) for administrative and managerial personnel remain in force?

Answer: Article 7 of Council of Ministers' decree No. 32/1980 lays down, with effect from 1 September 1980, that executives, chief accountants and other officials responsible for the observance of table-of-organization discipline shall be

penalized by a 10-percent reduction of individual gross wage (excluding allowances under the Labor Code) for every percentage point of overrun beyond the limit (normative) for administrative and managerial personnel strength. This edict is expressly not rescinded by Council of Ministers' decree No. 53/1981 and must be enforced in the future as well for all levels of administration. An overrun of administrative and managerial personnel strength is to be established as follows: for ministries, by comparison with the limit approved by the Council of Ministers; for the central administrations of economic organizations, by comparison with the limit approved by the relevant sectorial ministry, with the sum total of limits for all economic organizations not to exceed the sum total of limits approved for them as of 31 December 1978; for units of economic organizations, by comparison with the normative for administrative and managerial personnel's share of total personnel strength as of 31 December 1978.

Question 36: Within what time limits must one contract to hand over (deliver) goods for export?

Answer: According to article 17 of the General Conditions for Export Commodity Contracting, the due dates for the handing over (delivery) of goods are fixed by the contracts. Unless the contracts stipulate other due dates, goods are handed over (delivered) evenly by the month or quarter, but not later than the 25th of the last month of the quarter. Contracts may, therefore, fix other due dates, earlier or later than the 25th of the last month of the quarter.

Question 37: May economic organizations and enterprises pay out awards from the Social Welfare and Cultural Measures Fund to manual and office workers for long years of service and the rounding out of anniversaries in the sense of article 172, paragraph 3, of the Regulations on the Economic Mechanism? If they may, are there any limitations because of the sector to which the enterprise belongs?

Answer: In the sense of article 172, paragraph 3, of the Regulations on the Economic Mechanism, awards may be given not only for long years of service, but also for the rounding out of anniversaries regardless of the sector to which the enterprise belongs.

Question 38: Is there any difference in the meaning (scope) between the terms "'zaraboten' fond" and "fond 'rabotna zaplata'" for the concept of Wage Fund in article 190, paragraph 2, and article 196 of the Regulations on the Economic Mechanism?

Answer: No, there is none. In both article 190, paragraph 2, and in article 196 of the Regulations on the Economic Mechanism, what is meant is part of the resultant residual Wage Fund on the Current Labor Remuneration account, within the limits of which the individual wages of manual and office workers are determined.

Question 39: What Wage Fund from the preceding year is to be shown on line 9 of questionnaire 1 for the income formation and distribution chart of economic organizations and enterprises in determining the maximum possible Wage Fund?

Answer: In keeping with the new economic mechanism, the amount of the maximum possible Wage Fund is determined on the basis of defrayal of the growth in the volume of

the Wage Fund by the growth achieved in total income over the previous year. Since the specific amount of monies for wages (the 1981 resultant residual Wage Fund) corresponds to the volume of the total income realized during the previous year, this is the Wage Fund that must be shown on line 9 of questionnaire D for the income formation and distribution chart. In cases where more monies were paid out last year than were in the resultant residual Wage Fund, i.e., there was a deficiency that was covered from various sources, only that portion of the deficiency that was covered from the organization's own Reserve Fund is to be included in the questionnaire.

Question 40: May sectorial ministries with sectorial decisions for the organization of wages fix limits on the growth of the annual wage of economic organizations?

Answer: No, they may not. The growth of wages is determined by the economic organizations themselves in accordance with the results achieved with the counter-plan or by actual accounting. The amount of the increase is fixed by normatives approved by the Council of Ministers. In keeping with article 11, subparagraph 3, of the Regulations on the Economic Mechanism, sectorial ministries, in coordination with the central committee of the trade union in question, approve regulations for model (type) decisions for the organization of wages, the brigade organization of labor, internal profit and loss accounting etc., which have the character of recommendations to the economic organizations. On the basis of these, the economic organizations establish their respective internal regulations.

Question 41: On the basis of what Wage Fund must economic organizations and enterprises formulate their labor plans?

Answer: Economic organizations and enterprises must formulate their labor plans on the basis of the resultant residual Wage Fund, determined by them according to the income formation and distribution chart during the compilation of the counter-plan.

Question 42: Has the Ordinance on Engineering and Applications Organizations, passed in Council of Ministers' decree No. 12/1980, been rescinded?

Answer: No, it has not. The Ordinance on Engineering and Applications Organizations is enforced at present as approved. Since some economic-mechanism questions, involving evaluation of the activity of engineering and applications organizations on the basis of the economic effect realized and of the time limits for recoupment and achievement by their projects of the foremost Bulgarian and world technical and economic indicators and criteria, have been expressly redecided by the Regulations on the Economic Mechanism, some amendments and additions to the Ordinance on Engineering and Applications Organizations that are going to be adopted by the Council of Ministers are being prepared at the moment.

Question 43: Can the income formation and distribution chart be compiled quarterly?

Answer: Article 178 of the Regulations on the Economic Mechanism clearly specifies that the income formation and distribution chart is drawn up every month, with

accumulation from the beginning of the year. This requirement applies to economic organizations of all sectors and activities, including those which drew up quarterly charts last year.

Question 44: According to article 227, paragraph 2, the monies for wages owing for the quantity and quality of work performed by the brigade are increased or decreased by part of the reduction or overexpenditure of raw and other materials as compared with the established normative production cost. Normative production cost is figures as an annual average. This means that expenditure norms will always be larger than the normative production cost at the beginning of the year. Does the brigade have to be docked for this overexpenditure?

Answer: Article 223 of the Regulations on the Economic Mechanism stipulates that the brigade's annual planned target is to be concretized month by month by means of normed planned targets. It is assumed that normed planned targets will be established for shorter periods in keeping with specifics and with concrete conditions and, where necessary, that production schedules, specific output requirements and other binding conditions will be established.

As a result, the provision of resources for the brigade to meet its target must be determined specifically for every month or shorter period on the basis of the effective (derived from updated technical and construction documentation) norms and standards for machinery and equipment utilization, for inputs of labor, raw and other materials, for waste, manufacturing rejects etc. Consequently, the monies for wages, due for the quantity and quality of work performed by the brigade at established comprehensive piece rates, can be increased or decreased by a part of the reduction or overexpenditure of raw and other materials, fuels and energy as compared with specifically determined normative expenditures for meeting the brigade's targets for the month or shorter period in question.

To be continued.

[10 Mar 82 p 3]

[Text] Question 45: According to article 167, paragraph 1, economic organizations themselves determine their working-capital standards. Will a methodology be given or will working capital be determined according to the economic organization's own view?

Answer: The right of economic organizations to determine working-capital standards themselves is a sign of the further extension of the democratic spirit in the administration of the economy. It enables the economic organizations themselves, on the basis of the method and concrete conditions of production and deliveries, to estimate the optimum amount of assets in the form of physical commodities and working capital that they need in order to assure an even flow of the production process, supply and sales. The correct establishment of standards for working capital as a whole and by individual elements is of exceptionally great importance for the efficient utilization of their own and of credit financial resources. That is why the right to determine them does not mean that this is done arbitrarily. The methodology for this purpose is given in Ordinance No. 12 on the Setting of Working Capital Standards of the Ministry of Finance, the former Ministry of Supply and

State Reserves and the Bulgarian National Bank. The ordinance was published in DV [State Gazette] No. 33/1976 and is still in use now. Independent determination of the working-capital standard does not mean, however, that economic organizations thereby predetermine the extent of the bank's participation with credits or formation of their working capital. The practical participation of credit in the creation of working capital is arranged jointly with the banks on a contractual basis.

Question 46: Can economic organizations' approved state planned targets, including export targets, be increased? By whom and when?

Answer: In principle, the state planned targets of economic organizations, including export targets, can be changed only by the body that approved them. According to the Regulations on the Economic Mechanism, the state planned targets of all centrally subordinated economic organizations are approved directly by the Council of Ministers, and those of locally subordinated economic organizations by the executive committees of people's councils. An exception to this rule is provided only for economic organizations in certain specific sectors such as power supply, communications, international tourism and agriculture. The departments that run these sectors (Ministry of Power Supply, Ministry of Communications, State Tourism Committee and the National Agroindustrial Union), in addition to their functions as governmental bodies, exercise certain rights and duties specified by part II of the Regulations on the Economic Mechanism, including the right to assign, by economic organizations, the state planned targets approved by the Council of Ministers for their system as a whole.

The annual state planned targets of economic organizations can be changed by the bodies that approved them not more than twice a year, not later than 10 April and 20 September. In making changes, the conditions and requirements stipulated by Council of Ministers' decree No. 4/1981 must be observed, according to which the proposal must be discussed beforehand with the collective body of the economic organization, the changes must be made as a package etc. In the event of changes in annual state planned targets, the confiscation of reserves discovered by the economic organization is not permitted on any pretext whatever.

Mandatory planned targets of enterprises and other units are approved and changed by the collective administrative body of the economic organization--the economic council, subject to observance of the time limits and requirements set for the economic organizations. Moreover, the sum total of approved mandatory planned targets of units must not exceed the number of approved state planned targets of the economic organization, including export targets. In the event of a change in the mandatory planned targets of enterprises and other production units, the regulations also expressly forbid the confiscation of reserves discovered by the labor collectives.

Question 47: When there is a failure to fulfill the foreign-exchange and physical-export plan, for which case of nonfulfillment are penalties applied--the foreign-exchange plan or the physical plan?

Answer: According to the Regulations on the Economic Mechanism, a state planned export target of economic organizations is established with reference to the indicator "Foreign-exchange receipts by directions."

Whenever the economic organization fails to fulfill the state planned target for foreign-exchange receipts in a second direction, it pays the budget a penalty of 0.50 lev for every foreign-exchange lev of nonfulfillment. Nonfulfillment of the state planned export target affects the size of the individual wages of executive personnel and key specialists. According to paragraph 2 of article 197 of the regulations, the bases for participation of these persons are determined according to the fulfillment of the state planned target not only for aggregate profit, but also for foreign-exchange receipts. As for exports of output in kind, mandatory targets in respect of this indicator are established only in cases where this results from commitments assumed by the state towards other countries by virtue of treaties, agreements, trade protocols etc concluded with them. For these targets economic organizations are obliged to enter into contracts with their counterpart foreign-trade organizations and bear the liabilities specified therein and in the Ordinance on Contracts between Socialist Organizations.

Question 48: How will the provision be applied that receipts from sales must be generated on the basis of contracts concluded with consumers except in cases where output is sold through an economic organization's own retail trade network or through employment of a commercial form of supply without a preliminary order? Profits from sales made in violation of this edict are regarded as illegally gained and are to be paid into the budget (article 166, paragraph 5, of the Regulations on the Economic Mechanism).

Answer: Under the conditions of the new economic mechanism, the role of contracts is intensified because only through contracts is it possible to synchronize and concretize the relations between economic organizations. Contracts will more and more become a basic tool for balanced hedging of the counterplan and will reduce cases where enterprises have grounds to complain to planning bodies that their plan is unhedged. Heretofore there have been complaints many times that on various pretexts the suppliers concerned refuse to conclude contracts for a delivery. They agree in principle to accept an order, but they do not want to enter into a contract that will bind them legally and economically. In practice, however, there is no guarantee for the consumer that the supplier will not violate his oral promise, and the principal of economic responsibility cannot be implemented. In order to counteract this negative phenomenon, the new rule has been introduced in article 166, paragraph 5, of the Regulations on the Economic Mechanism. The requirement of mandatory contracting applies to the entire targeted output that is included in the counterplan. This creates economic compulsion on suppliers to conclude supply contracts. An exception is made only for output which is sold through the economic organization's own retail trade network by the producer to the population, or for output for which the commercial form of supply without a preliminary order is used. Under the commercial form of supply the conclusion of a contract is not required. The materials which will be supplied on a commercial basis are determined in advance and all consumers are advised. Deliveries are made on demand or at times specified before hand, and in the event of nonfulfillment the supplier pays a specified penalty. (These questions are regulated by the General Conditions for the Delivery of Materials and Subcontracted Products.)

Nor do contracts have to be made in the case of one-time orders for small deliveries or services which are not of a planned character. In these cases the consumer's written request or order alone suffices and, if accepted by the supplier,

has the force of a formal contract, for the nonperformance of which action can be brought on general grounds.

Detailed instructions are forthcoming from the Ministry of Finance regarding cases in which the profit from sales of output not contracted for in advance do not have to be paid into the budget.

Question 49: What do brigades of the new type offer to industry? In what respect do they differ from the brigades heretofore employed in practice?

Answer: The brigade organization of labor is an objective necessity in the administration of production under socialism. This results from intensification of the collective character of labor under the influence of scientific and technical progress, from an increase in the purview of labor, from a stepping up of the social activity of working people etc.

On the other hand, the changes that have taken place in the character of production make new demands on the forms and methods of managing socialist property and direct participation by the working people in the administration of production.

The main goal of the brigade organization of labor is to raise the efficiency of production activity on the basis of collective incentives and liabilities for the rational utilization of the individual elements of the production process.

The brigade is the primary production, economic and social unit in the enterprise and the economic organization. In fact, the unfolding of labor initiative and creativity begins and discipline and self-discipline are shaped within the framework of the brigade. The brigade is the basic unit in which an attitude of stewardship towards socialist property and socialist conscientiousness in labor, a sense of comradeship and mutual assistance are formed.

To meet these basic demands, the new type of brigade must be set up with observance of the following mandatory conditions:

First, the brigade must comprise a complete production and technical process in the manufacture of a final product or a completed portion thereof (set of parts, assemblies etc. or an individual phase of a unified manufacturing process, zone of services etc).

Second, the brigade must be allowed to manage directly the machinery, equipment and other elements of the production facilities necessary for the accomplishment of the production tasks assigned to it.

Third, the brigade must perform jointly (collectively) a single production task on the basis of a common material interest in and responsibility for the achieved results.

Fourth, the brigade's activity must be organized on an economic basis by virtue of its establishment on the principles of internal profit and loss accounting with consistent application of the principles of self-support, material incentive and material liability. Brigades of the new type must be set up on the basis of a plan

worked out in advance that is a component part of a plan for the improvement of the socialist organization of labor in the enterprise or economic organization, in conformity with the specific character of the individual production activities. The difference between brigades of the new type and the form of brigade organization hitherto employed is great. The former brigades in most cases were set up on the basis of a breakdown of the unified production process by workpiece or operation, without taking into account the necessity of collective performance of the tasks. The working people in these brigades usually worked on individual tasks, with everybody performing only his own part of the job and actually bearing no responsibility for the final result of the brigade's activity. There were very few brigades that operated on internal profit and loss accounting, and whenever there was one such, in rare cases was production cost used as a generalizing qualitative indicator.

Question 50: How will economic organizations and enterprises that operate at a planned loss determine the amount of deductions for their monetary funds?

Answer: Economic organizations and enterprises for which a planned loss instead of a state planned profit target has been approved will deduct monies for their Expansion and Technical Improvement and their Social Welfare and Cultural Measures monetary funds as a normative of total income instead of balance-sheet profit. Notwithstanding, the minimum mandatory deductions specified by the Regulations on the Economic Mechanism for these funds must be adhered to in determining the planned normatives of the counterplan.

No deductions are made for the Economic Risk Fund in case of a planned loss with state planned targets.

6474

CSO: 2200/80

ADDITIONAL ANSWERS TO QUESTIONS ON APPLICATION OF ECONOMIC SYSTEM

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 17 Mar 82 p 3

[Unattributed serialized article: "Answers to Questions on the Application of the Regulation Governing the Economic Mechanism"]

[Text] 51. Question: Requests have been received from the leadership of certain enterprises and economic organizations on how the final payment will be made for labor remuneration in 1981 on the basis of the year's results?

Answer: On the issue of these requests, we would explain that the competent bodies have issued the following instructions to the economic organizations and their divisions as well as to the banking offices:

In the first place. The final payment for unpaid labor remuneration in 1981 will be carried out with the strictest observance of the requirements of the economic mechanism.

Secondly. In the aim of ensuring the necessary control over the observance of the economic mechanism the banks are to receive the necessary authentic data signed by the leadership of the economic organization or, respectively, the division and the chief bookkeeper. The submitted documents are to be based on the data of the annual inventory of material stocks and also the completed annual reports and bookkeeping balances.

Thirdly. The servicing banks are to make the strictest verification of the submitted data and are to permit the withdrawal of money for the 1981 labor remuneration only in accord with the requirements of the economic mechanism.

Fourthly. In verifying the report and other documents submitted to the bank, particular attention is to be paid to the following:

- a) The reliability of the material expenditures and the amount of the material working capital;
- b) The reliability of the number of personnel and the labor expenditures;
- c) The correct compiling of the schemes for the formation and distribution of income and the information for them;

d) The strictest observance of the relationship established by the mechanism between the growth of social labor productivity and the growth of average wages.

Fifthly. When, after a complete verification of the report and other data and documents it is stated that the corresponding economic organizations and divisions have made violations of the requirements found in the economic mechanism, the banks are to allow the withdrawal of money for labor remuneration in 1981 only in the amount corresponding to the mechanism.

Sixthly. For the brigades, divisions and other groups operating on internal cost accounting, labor remuneration is to be paid in accord with the documented results of their work according to the general requirements of the economic mechanism and the internal rules, regardless of whether the enterprise or organization as a whole has a shortage of money in the residual-result wage fund.

52. Question: How will a brigade be paid and from what wage fund when wages are held up not due to its fault?

Answer: The organization of brigade cost accounting is carried out on a basis of the rules adopted by the collective management body of the economic organization or division according to the specific features and concrete conditions of the work. In addition to the questions related to norming expenditures for the activities of the brigade, the formation of the wage fund, cost accounting liability of the brigades, the procedure and methods for calculating and assessing the results of brigade activities, the rules without fail also settle the question of submitting and resolving questions relating to internal claims. The basis for the resolving of disputes arising over internal claims both between the individual brigades as well as between the brigades and the leadership of the economic organizations or divisions is the approved compulsory plan quotas, the production schedules and other obligatory conditions and requirements on the basis of which internal contracts can be signed between the individual brigades to concretize their reciprocal obligations and responsibilities. For regulating the relationships between the brigades and the leadership of the economic organization or division, coordinating-plan agreements or organizational management contracts are concluded and these clarify their reciprocal obligations and responsibilities.

In instances when the given brigade is forced to stop work due to the fault of another brigade or due to the fault of the leadership of the economic organization or division, the members of this brigade during the time of the stoppage are to be paid at least 90 percent of the rated (regular) wage according to Point 1 of the Ordinance Governing Labor Remuneration with Work Stoppages, Substitution, Combining of Employment and So Forth. In this instance the necessary funds are provided from the wage fund owed to the brigade to blame or from the resulting wage fund of the economic organization or division, with the guilty parties being held responsible without fail since this was not taken into consideration in determining their individual wages. For the members of the brigade the reduction in wages in these instances is carried out within the amounts stipulated in Article 93 of the Labor Code but not more than two-thirds of the monthly rated (regular) wage while for the leadership and specialists from the management of the economic organization or division this is done without a guaranteed minimum within the amount of the residual result wage fund.

53. Question: What bonuses are to be included in the maximum amount set by Article 200, Paragraph 2 of the Regulation Governing the Economic Mechanism?

Answer: According to Article 200, Paragraph 2 of the Regulation Governing the Economic Mechanism, the maximum amount of bonuses which can be paid to a worker or white collar personnel annually for carrying out important production and economic tasks cannot exceed the quarterly rated (regular) wages of a person, regardless of bonuses from other sources. In this instance it is a question only of the bonuses which are paid from the residual resulting wage fund and the account "Personal Bonuses for Carrying Out Important Tasks."

According to Article 200, Paragraph 2 of the Regulation Governing the Economic Mechanism, the maximum amount of bonuses is not to include bonuses paid from money put in the wage fund for a reduction in costs in terms of the direct material expenditures per unit of product in comparison with the previous year, bonuses paid from the available money in the fund for "Encouraging Technical Progress for Introducing New and Improved Production Methods and Products" and other similar ones.

54. Question: If the balance of the wage fund according to the scheme for the formation and distribution of income is greater than the maximum possible amount and the individual production units are directly responsible for this, what would be the additional incentive for them and how would this be determined? Conversely, if the balance is smaller but the corresponding production units have achieved the planned efficiency, how would this shortage reflect on them?

Answer: The deductions for the wage fund when there is sufficient income are made according to the maximum possible amount. A residual amount, when there is such, is allocated among the funds for "Economic Risk" and "Expansion and Technical Improvement" according to the rates adopted in the counterplan.

The money for the wages of the shops, sections, brigades and others are determined on the basis of the quantity and quality of the work completed and the efficient use of the provided resources, regardless of whether there is sufficient money or not in the wage fund of the economic organization or enterprise.

55. Question: Would not a more correct base for calculating the maximum possible wage fund be the wage fund of the previous year obtained as the product of average actual wages and the planned number of workers?

Answer: According to the Regulation for the Economic Mechanism, the maximum possible amount of the wage fund is set depending upon the actual increase or reduction in total income in comparison with the previous year. The amount of the wage fund for 1981 is set on the basis of the actual deductions made after adjusting the increase in income for consumption (line 40 of Scheme No 1 and line 32 of Scheme No 2). If in 1981 money from the reserve fund had been used to cover a shortage of wage money, this increases the money actually deducted according to the scheme. The total of the thus established wage fund cannot exceed the actual deductions for the reserve fund and for the wage fund according to the scheme for 1981. With this mechanism for determining the maximum possible amount of the wage fund, as we can see, the number of personnel and the reported average wage are not involved and because of this the proposal is unacceptable.

56. Question: Who will determine and by what mechanism what the divisions are to be in the existing economic organizations according to Article 101, Paragraph 1 of the Regulation Governing the Economic Mechanism?

Answer: According to the old Regulation Governing the Organization of Economic Activities, the internal structural elements of an economic organization differed in terms of their status and were of two types--divisions and units. At present, the concept of a division is used as a generic concept. This is the name given to all the structural units of an economic organization. A division can be both a large plant which is part of an economic organization as well as a shop. The divisions, as has been explained in the Regulation Governing the Economic Mechanism, can be of two types: enterprise divisions and divisions which are production-economic units.

The new feature is that the enterprise division, without being a separate economic organization, has a status which to a maximum degree is equal that of an economic organization. It is a separate legal entity, it has an independent balance sheet and bank accounts, it can conclude contracts without restriction and can enter into various types of economic and other relationships in carrying out its activities.

The enterprise division makes up a scheme following the same rules as an economic organization. The divisions which are production and economic units can draw up an independent balance sheet and participate in arbitration and other processes only on behalf of the economic organization if they are authorized to do this.

As of 1 January 1982, the divisions of the economic organizations following the criteria set down in the Regulation Governing the Economic Mechanism fall into the group of enterprises or into the group of production and economic units and it is not necessary to have a special document which defines this.

If it is necessary to alter the status of the individual divisions of economic organizations, this can be done according to the procedure outlined in Article 103 of the Regulation Governing the Economic Mechanism.

57. Question: According to Point 166 of Paragraph 5, the income from sales must be formed on the basis of the concluded contracts. In this instance are letters of authorization valid or must contracts be concluded for small orders?

Will the provisions of Article 166, Paragraph 5 be applied when work and services are carried out in the production and economic units of an economic organization but contracts are not concluded between them?

Answer: According to the requirements of Article 166, Paragraph 5, the profits from sales which have not arisen on the basis of the concluded contracts is considered as invalidly gained and is to be turned over to the budget. This provision is aimed against instances which have recently appeared when economic organizations and enterprises that have a monopoly of the domestic market refuse to conclude contracts. In so doing these economic organizations endeavor to avoid contractual penalties in the event that the contracts are not fulfilled.

Contracts are the basic instrument for the balancing and guaranteeing the feasibility of the counterplan and for synchronizing production and economic ties. For products envisaged in the state plan quotas, the concluding of contracts is compulsory for the two parties, the producer and the consumer. The same applies to products which are part of a counterplan and for which there must be a specific consumer, except for instances when the product is offered through an internal retail trade network or by employing the commercial form of supply without a preliminary order.

When during the year there are letters of authorization for individual unplanned orders and an affirmative reply has been given for accepting them, then an individual economic contract may not be concluded as in essence the acceptance of the order means the concluding of a contract. For this reason in such cases it is not essential to apply the penalties on profits as envisaged in Paragraph 5 of Article 166.

The contracts or planning coordination agreements must be concluded by and between the production and economic units of an economic organization, including the brigades. The economic organizations with the rights of an organization with internal cost accounting can also establish a different procedure in comparison with that provided in the Ordinance Governing Contracts Between Socialist Organizations. This procedure establishes the reciprocal obligations and responsibilities between the internal production and economic units. Such a procedure must be kept in mind in applying Paragraph 5 of Article 166. [To be continued.]

10272

CSO: 2200/82

ANSWERS TO QUESTIONS CONCERNING APPLICATION OF NEW ECONOMIC MECHANISM

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 21 Mar 82 p 3

[Serialized article, continued in 24 March 1982 issue]

[Text] Question 58: Can article 183 of the Regulations on the Economic Mechanism be applied by the enterprises?

Answer: Article 183 of the Regulations on the Economic Mechanism applies to cases where, according to the report, the economic organization's income as per the flow chart does not suffice for a Wage Fund deduction in the maximum possible amount. In this case it is stipulated that available monies shall be distributed proportionally over the individual funds, subject to observance of the ratio between them stipulated in the planning chart.

This edict is valid for enterprises as well since in conformity with article 214, paragraph 1 of the regulations they draw up their income formation and distribution charts according to the procedure and conditions established for economic organizations.

Question 59: We are setting up a fruit and vegetable processing enterprise in the city of Tutrakan under Drustur, Silistra, with bank credit through a highly efficient loan. Production personnel have been appointed to participate in installing the equipment so as to familiarize themselves with the specific machinery. What forms of additional incentives should be incorporated in the planning procedure in order to raise their personal material interest in getting the project started up ahead of schedule?

Answer: The Regulations on the Economic Mechanism envisage two cases of material incentive for prescheduled delivery of a project.

First case: When at the request of the investor the chief performer agrees to execute the project in periods of time shorter than the standards established for the duration of construction, the parties may, in conformity with article 244, paragraph 1, negotiate an addition to the estimated cost of the project. Monies received for the prescheduled completion of a project are entered directly in an earmarked account in the Wage Fund without being reflected on the income formation and distribution chart. Additional monies for incentives are paid within the limits of the general estimate of the project.

Second case: Whenever, within the limits of the standards established for the duration of construction, a project is put into operation before the contracted due date, the investor, in accordance with article 251, pays the performer an additional 3 percent of the estimated cost of the SMR [construction and installation work] for projects with a production purpose, and for especially important projects in accordance with a list approved by the Council of Ministers. For all other projects the amount of the additional payment is determined by the project building contract in an amount up to 3 percent of the estimated cost of SMR, but not less than 1.5 percent. In addition, the investor pays the performer up to 50 percent of the normative profit for the period by which the project building time is shortened, but not more than 0.5 percent of the estimated cost of SMR for every month by which standard completion time is shortened. Additional monies for incentives, according to article 251 of the regulations, are paid out from the RTU [Development and Technical Improvements] Fund of the investor. And these monies are disbursed outside the income formation and distribution chart, being referred directly to an earmarked account of the Wage Fund.

In a word, the regulations envisage significant material incentives for builders for the prescheduled commissioning of projects. As for the operating personnel appointed in advance to participate directly in installing the equipment, they must be given material incentives within the limit of the monies made available to the construction organization for this purpose, as a function of the specific contribution they made to the prescheduled commissioning. Properly, even in these cases the amounts of the additional incentive should be negotiated in advance between the investor and builder.

Question 60: What is the most characteristic thing about the foreign trade association as a new [word illegible; possibly, form] of foreign trade activity? Do articles 136 to article 145 inclusive regarding foreign trade associations [word illegible; possibly, apply]? Must members of the association pay commissions on import and export contracts concluded with the association?

Answer: The Regulations on the Economic Mechanism for the first time regulate the by-laws of an economic association on the performance of various kinds of activity, including foreign trade activity. In this sense, the edicts of the Economic Association Regulations from article 136 to article 145 inclusive apply in their entirety to foreign trade associations.

Most characteristic features of the foreign trade association are the following:

1. A foreign trade association is formed by economic organizations that are producers of export commodities. No normative government document is necessary for the purpose, but only an agreement with the Ministry of Foreign Trade and the sectorial ministry concern. The association acquires a juridical personality with effect from the day that registration of the constituent contract with the rayon court is published in DURZHAVEN VESTNIK [State Gazette].
2. Neither a foreign trade association nor any other economic association is charged with a state planned task. The economic organizations that are members of the association bear complete responsibility for the state export planned task with which they are charged and which they perform through their foreign trade association.

3. The association receives mandatory export tasks from association-member economic organizations. The association may do exporting as well for other organizations which are not members of the association. This exporting is performed only by contractual arrangement.
4. The association is a juridical person and owns property independently.
5. The administrative bodies of the association are the board of managers, the director and the control council.
6. Every organization that is an association member is represented on the board of managers by its own executive and by one representative of the labor collective elected by the collective administrative body of the economic organization.
7. Members of the association are responsible for its obligations up to the amount of their proportional participation.

The constituent contract, which is the association's charter, defines the basic rights and obligations of association members, as well as the interrelationships between the association as juridical person and its members.

In its foreign trade activity the association is guided both by the Regulations on the Economic Mechanism and by other enforceable enactments regulating foreign trade activity.

Association members decide the method of supporting it in the constituent contract. For the mandatory export tasks with which it is charged, the association makes contracts, analogous to those made between the foreign trade organizations and their subdivisions, with the subdivisions of economic organizations that are association members. Consequently, it can be expected that support of the association will be generated on the basis of commissions. In this regard the regulations grant free choice of decision.

Question 61: What amount of the Wage Fund for an economic organization's administrative personnel according to the 1981 report should be taken into account in establishing the aggregate profit standard in conformity with article 190, paragraph 2, subparagraph 2 of the Regulations on the Economic Mechanism?

Answer: In establishing the aggregate profit standard in conformity with article 190, paragraph 2, subparagraph 2 of the Regulations on the Economic Mechanism, one should, in order to determine the amount of monies for the current labor remuneration of an economic organization's administrative personnel, take into consideration the monies actually entered and paid out for wages of these personnel according to the 1981 report from the Current Labor Remuneration Account of the resultant residual Wage Fund. Whenever there was a deficiency in 1981 in the Wage Fund for these personnel which was covered from other sources, the report is to include only that part of the deficiency that was covered from the economic organization's Reserve Fund.

Question 62: How will the 1981 average gross wage that is shown on line 10 of questionnaire No. 2 be determined so as to determine the payments for regulating the increase of the average gross wage?

Answer: In accordance with the note to questionnaire No. 2, the average gross wage of the preceding year is determined in the same way as for the year under review. Average gross wage is determined on the basis of report strength of entire personnel (average table-of-organization personnel, not counting women on maternity leave) and on the basis of Wage Fund as per line 9 of questionnaire No. 1, reduced by a sum in the amount of 30 percent of the ascertained saving of direct material expenditures according to the report form on the production cost of output (work performed) and by the Wage Fund actually paid out to non-table-of-organization personnel.

The amount of the 1981 Wage Fund, which is shown on line 9 of questionnaire No. 1, is established on the basis of actual deductions as per line 40 of chart No. 1 or line 32 of chart No. 2, made after regulation of the increase in consumption income. If in 1981 sums from the Reserve Fund were used to cover a deficiency of monies for wages, the monies actually deducted according to the chart are increased thereby. The amount of the Wage Fund thus established may not exceed the actual deductions for the Reserve Fund and for the Wage Fund according to the 1981 chart.

Question 63: In conformity with article 31 of the Regulations on the Economic Mechanism, individual tasks not fulfilled during a given year are included in the counterplans for the next year. What did the lawgiver have in mind in including this edict in the regulations?

Answer: The planned management of the national economy is effected by long-term, five-year and annual plans for the socioeconomic development of the country. The basic planning document is the five-year plan. The five-year plan at the national level is approved by the National Assembly with apportionment by years, and takes on the force of law.

According to the Regulations on the Economic Mechanism, during the Eighth Five-Year Period plan fulfillment will be reported annually with accumulation from the beginning of the five-year period. The fulfillment of state planned tasks by economic organizations will be reported according to the same procedure. Therefore, production collectives must strive not only to fulfill their annual plans on their own account, but thereby to assure fulfillment of the five-year plan. That is why article 31 of the regulations provides that individual tasks unfulfilled during a particular year must be included in the counterplan for the next year. Counterplans must, for the most part, include tasks in arrears from past years which are expressed by qualitative indicators incorporated in the five-year plan. These are profits, reduction of production cost, quality of output, adoption of new technologies and new kinds of products etc. This does not mean, however, that physical quantities in arrears must not be included whenever this is purposeful. The question here must be decided after relevant study of needs and opportunities for sales, provision of materials etc. Therefore, the decision whether to include tasks that have fallen in arrears quantitatively must be made concretely for each product.

Question 64: Do enterprises which are subdivisions of an economic organization have the right to enter into export and import contracts with foreign trade organizations?

Answer: Yes, they do. In conformity with article 206, paragraph 4, of the Regulations on the Economic Mechanism, whenever, by decision of the economic organization, the enterprises themselves are better able to determine the most efficient export structure, mandatory export planned tasks are approved for them in monetary terms. In these cases kinds, quantities and due dates for the delivery of export output are concretized by contracts which the enterprises make directly with the foreign trade organizations concerned. This applies mainly to enterprises with a large product mix, whose output is not included in the national and sectorial physical balances. In these enterprises, a full work load for production capacities requires great operational efficiency, flexibility and maneuverability, which can best be accomplished only by those who are close to production, i.e., by the management of the enterprise itself.

6474

CSO: 2200/90

MINISTER DWELLS ON AGREEMENT WITH USSR FOR JOINT TIMBER PRODUCTION IN KOMI

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 17 Mar 82 pp 1, 14

[Interview with Yanko Markov, Minister of Forests and Lumber Industry by Dimitur Minchev: "A Powerful Artery of Friendship"]

[Text] A new agreement was signed recently in Moscow between Bulgaria and the USSR for joint lumber operations in the Komi ASSR; the agreement is to run until 31 December 1990. A representative of IKONOMICHESKI ZHIVOT brought up this question with the minister of forests and lumber industry, Comrade Yanko Markov, in an interview. He kindly answered the questions posed to him.

Question: Comrade Minister, what have been the results of the cooperation up to now between our nation and the USSR in lumbering in the Komi ASSR?

Answer: Some 14 years have passed since 3 December 1967 when the first international agreement was signed between the governments of Bulgaria and the USSR on organizing a joint lumber industry enterprise on the territory of the Komi ASSR to produce wood for the needs of the two countries. Time has confirmed the foresight of those who planned these joint activities. Both for our nation and for the Soviet Union the results have been encouraging. Under the harsh Tayga conditions in Udorskiy Rayon of the Komi ASSR, three settlements have already been built: Usogorsk, Blagoyevo and Mezhdurechensk. A fourth is in the process of construction. These are cozy towns with all conveniences for life and labor. Thousands of residences have been built and these are provided with electricity, sewage, central steam heating and a base for household needs. Over 325 km of roads have been built in the tayga. The construction of the so-called Northeastern Highway is being completed. This is 108 km long with a reinforced concrete roadbed 11 m wide. Over this road 1 million m³ of wood will be transported annually from just the Gornomezenskiy enterprise to the lower storage areas at the enterprise in Usogorsk for further processing and shipping. Four lumber industry enterprises have been built equipped with powerful equipment for lumbering and primary processing of the wood. The so-called "lower storage areas" are impressive industrial enterprises equipped with powerful cranes. At the lower storage area in Mezhdurechensk, a semiautomated wood processing system has been introduced.

During these 14 years, our nation has received a quantity of wood equal to 2 years' output of our forests and in terms of the use of our coniferous forests, this

equals the output of more than 7 or 8 years. Anyone can figure that if it were not for this fraternal aid, these millions of m³ of wood would be lying on the shoulders of our forests. This unique mutual aid has been organized for the first time and is a new example in the CEMA system.

Question: What required the concluding of the new agreement and the transition to the new stage of cooperation?

Answer: To go nearly 5,000 km for wood into the tayga is not out of any love for adventure. Both the first agreement as well as the second which we concluded on 15 January 1982 to run up to 31 December 1990 and which in execution will provide new millions of m³ of wood for the needs of both nations have been dictated by the increasing demand of our nations for this valuable raw product. Forecasts indicate that by the year 2000 the demand for wood will more than double and in certain spheres such as the pulp and paper industry it will increase by 4-6-fold. Where could we find such an amount of wood? The low productivity and small reserves of our forests do not allow us to meet this need. This has required the signing of the new agreement and the continuing of joint lumber operations in the Komi ASSR.

Question: What is the scale envisaged in the new cooperation?

Answer: In terms of scale the new agreement does not anticipate greater amounts. Construction will be continued on the fourth lumber industry enterprise with a tendency over the next few years to provide a full load for all capacity and to reach the capacity envisaged in the first agreement. Along with this, shops will go into operation for producing commercial chip in amounts of 260,000-300,000 m³ for the pulp and paper industry as well as shops turning out cultural and household items produced from small sized and poor quality wood. The value of products produced by this shop will be 1 million rubles annually. Construction will be continued on new housing, roads, cultural and service buildings in the settlements to improve working and living conditions. Trade and utility services will be improved. Cooperation in joint lumber operations in the Komi ASSR is of important significance for intensifying our national economy, mainly in the sphere of the lumber industry, in carrying out the decisions of the 12th Party Congress.

Question: What new aspects have been planned in the forthcoming period of cooperation (new equipment, new production methods and so forth)?

Answer: The new feature that distinguishes the new agreement from the previous one is its more modern and advanced nature. In all areas the new agreement is more precise and more concrete. The experience acquired during these 14 years have helped to better concretize the reciprocal obligations of the two countries. This has eliminated the previous opportunities for a distorted interpretation of certain particular aspects and provisions arising in the process of operations. The new agreement has increased the responsibility of the two nations for carrying it out. The necessary elements and mechanisms have been set up on various levels for effective control of its application.

The agreement has generalized the previous positive experience in cooperation and has been also enriched by the practice of the last 14 years. It and the appended protocol between the Ministry of Forests and Lumber Industry and the Soviet Ministry

of Timber, Pulp and Paper and Wood Processing Industry set out in detail all activities during the following 10 years both in the sphere of lumber operations and construction as well as in the sphere of improving domestic conditions, trade, culture and the recruitment of personnel. New equipment will be delivered and new production lines put into operation; the railway cars for loading lumber for the two countries will be more correctly allocated. More advanced mechanisms will be put into use at the lower storage areas in the felling areas and for transporting. On the basis of the economic mechanism, the consolidation of the multispecialty brigades and the organizing of new types of them will be continued. Methods will be improved for reporting and carrying out lumbering operations for construction and installation work. Generally speaking the conversion of the enterprises to more advanced equipment will be continued. The felling areas will be made available by the Soviet forestry enterprises 2 years before the felling time. More attention will be devoted to better organizing the deliveries of industrial and food goods.

Question: What is the international significance of cooperation between Bulgaria and the USSR in lumbering?

Answer: The new agreement to continue cooperation in joint lumbering in the Komi ASSR is yet another vivid manifestation of the fraternal friendship between our two nations and peoples. It is a new step in deepening the economic integration between the two countries and an example of socialist cooperation in action for the other CEMA countries.

Joint lumber operations in the Komi ASSR is a visible example of the new stage of increased friendship, a friendship which reduces the distance between our peoples and shortens the time and paths of our advance to the future. One other thing. Our cooperation in the Komi ASSR is not merely measured by the amount of wood. At present, 12,000 workers, specialists and white collar personnel are working there and 15,000 Bulgarians live in the settlements. Many are workers who will extend their labor contracts in the Komi ASSR. We are linked to the Komi ASSR by thousands of new ties that pass through the hearts and minds of the people who work in the tayga and who carry out their heroic labor in this distant and near nation. Over 70,000 Bulgarian workers and white collar personnel have worked in the Komi area. Each of them has kept and carried off in his heart a new affection for the Soviet man and for the great nation of Lenin.

10272

CSO: 2200/82

BULGARIA

REPORT, COMMENT ON INDUSTRIAL PRODUCTION IN FEBRUARY 1982

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 24 Mar 82 p 4

[Report by Committee on Integrated Social Information System: "Bulgarian Industry during January-February Period of 1982"]

[Text] During the first 2 months of the year 65.2 percent of the output targeted by the first-quarter plan was produced, and 62.6 percent sold. The rate of production increase for the 2 months as a whole was 4.7 percent.

Fulfillment of the quarterly production and sales plan for commodity output by sectors (systems) was as follows:

Sectors (Systems)	Commodity output produced	Commodity output sold
Power supply	65.7	62.5
Metallurgy and mineral resources	65.4	59.5
Machine building and electronics	64.1	62.8
Chemical industry	63.5	62.3
Woodworking, paper and pulp industry	66.6	70.9
Light industry	66.9	63.3
Printing industry	105.0	66.6
Construction materials	61.3	61.3
Transportation	63.3	61.8
Materials and machinery supply	72.1	72.2
Communications	66.3	66.3
Internal trade and public services	67.7	64.1
National Agroindustrial Union	65.7	62.0

The production of certain industrial products during the January-February period and the rate of increase as against the same period in 1980 were as follows:

Product/unit of measurement	Output produced	Rate of increase, %
Electric power, 000,000 kwhr	6,693	108.3
Coal, 000 tons	5,491	118.1
Briquettes, 000 tons	243	113.2

[Table continued on next sheet]

Product/unit of measurement	Output produced	Rate of increase, %
Cast iron, 000 tons	263	105.0
Rolled ferrous metals, 000 tons	556	107.7
Internal combustion engines, each	3,000	133.2
Lathes, each	1,542	103.8
Motor-driven water pumps, each	22,546	105.3
Electrotelphers, each	19,283	105.6
Motor trucks, each	3,281	110.6
Power tools, 000 units	58	108.0
Nitrogen fertilizers, 000 tons	130	105.7
Phosphorus fertilizers, 000 tons	43	133.4
Soap powders (synthetic detergents), ton	8,723	105.2
Large reinforced concrete panels, 000 cu m	176	107.3
Paper, 000 tons	58	104.5
Sheet glass, 000 sq m	4,453	108.6
Household glassware, 000 leva	5,444	114.6
Cotton textiles, 000,000 m	57	101.4
Knit outerwear, 000 units	6,667	100.7
Sewn goods, 000,000 leva	80	109.0
Meat, 000 tons	67	112.9
Brynza [sheep's milk cheese], 000 tons	11	123.4
Kashkaval [yellow cheese], 000 tons	3	130.3
Tobacco products, 000 tons	14	101.0

Comment

The results of industrial development during February show that the bulk of enterprises and economic organizations have achieved conditions for steady production and fulfillment of their planned targets for aggregate profit and for the products that constitute the country's basic physical balances and predetermine its economic growth. The following production schedules for the two months were overfulfilled: electric power, solid rolled shapes, hot rolled and galvanized sheet iron, lathes, battery-powered trucks, power transformers, dial telephone exchanges, soda ash and many others.

At the same time, the following fell behind in fulfillment of their quarterly production targets in February: Neftokhim [Petrochemical] SK [Economic Combine], Devnya SKhK [Economic Chemical Combine], Metal-Cutting Machinery Plants DSO [State Economic Trust], Hydraulics DSO, IZOT [expansion unknown] DSO, Cement and Lime Production DSO etc. The following items were not produced in the targeted amounts: cast iron, steel, steel tubes, phosphorus fertilizers and cement, thus adversely affecting rhythmic production at enterprises using these basic raw and other materials.

Timely sale of the industrial output produced continues to lag.

Normal production rhythm was still disrupted not only in January but also in February by failure to receive certain raw and other materials and subcontracted products promptly at the times specified in the contracts. Such cases occurred in

enterprises within the system of the Transportation Machine Building DSO, Pirin Economic Trust, Pamukoteks [Cotton Textiles] Economic Combine, Hydraulics DSO etc.

Due to nonobservance of technological discipline, targeted yields were not achieved and expenditure norms were exceeded. Consequently, some economic organizations fell behind in fulfillment of the aggregate profit plan. At Rila Economic Combine, Knitwear Economic Combine, Glass and Fine Ceramics Economic Trust and Stara Planina DSO there were still considerable losses from rejects of poor-quality output and finished work. And there are not a few enterprises and economic organizations where the adoption of technical-progress goals and engineering-project measures, as well as the startup of new products and technologies is being delayed. All this adversely affects the reduction of materials expenditures and the material-to-output ratio of production.

Analysis of the results of plan fulfillment in industry during the first 2 months of the year shows that weaknesses of an intraorganizational character continue to have a significant effect on rhythmic production and the achievement of targeted final results. It is precisely because of these that a number of enterprises in the system of Knitwear Economic Combine, Cement and Lime Production DSO, Reinforced Concrete Structural Members and Products Economic Combine, Stara Planina DSO, and Srednegorie SPMK [Economic Mining and Metallurgical Combine] failed to meet their targeted goals. Their laggardness can be overcome to the maximum extent not only by the elimination of these weaknesses, but by the more rational utilization of available material resources and improvement in the fulfillment of contractual obligations. There are still unutilized potential reserves along these lines.

6474

CSO: 2200/90

STATUS OF COMBINES IN STATE MANAGEMENT SYSTEM DISCUSSED

Rights, Duties Clarified

Potsdam-Babelsberg STAAT UND RECHT in German Vol 30 No 12, Dec 81 (signed to press 22 Oct 81) pp 1089-1097

[Article by Dr Roswitha Dittmann and Prof Dr Ludwig Penig, GDR Academy of Political Science and Jurisprudence: "The Status of the Combines in the State Management System." A translation of the article by Rolf Steding cited in footnote 4 follows this article. A translation of the article by T. Riemann cited in footnote 5 is available in JPRS 79045, 23 Sep 81, No 2178 of this series, pp 44-58, published along with another article under the heading "Clarification of Combine Director, Ministry Authority Needed." The Combine Decree cited in footnote 6 is also available in translation in JPRS 75361, 24 Mar 80, EAST EUROPE REPORT: POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS, No 1774, pp 44-75]

[Text] The process of forming and strengthening highly productive combines is exerting a determining influence on the further improvement of economic management in the 1980's. This is in keeping with the objective development trends accompanying the socialization of production and labor, especially the increased requirements involved in mastering scientific-technical progress.

The combines embody our higher standards for the production and marketing of products. They make possible the comprehensive organization of socialist economic activity wherever the reproduction process is taking place. "The formation and further development of combines established important conditions necessary to the uniform management of scientific-technical progress, to the comprehensive implementation and mastery of important innovation processes. Industry's production and its scientific-technical potential are concentrated almost totally in combines."¹ The 157 centrally administered combines in industry and construction — which employ 2.9 million workers — as well as the Bezirk-administered combines — which have existed for some time, having been formed after the 10th SED Party Congress — are the basic units of management in industry, construction, transport and communications.² The further development and the strengthening of these units — as crucial prerequisites for carrying out the economic strategy resolved by the 10 Party Congress — are making new demands on management and planning work by all elements of the state economic management system.³

Central planning, balancing and analysis are increasingly being geared to these large economic units. The combines have the task of making full use of the main intensification factors to achieve growth in performance and effectiveness and of bringing reserves to bear on the plan by overcoming the differences in the development of level and effectiveness among the combine enterprises. The councils of the bezirks and kreises are charged with providing all-around support for the accomplishment of combine tasks by making efficient use of territorial reproduction conditions. In general, the level of state management work can be measured chiefly by the degree of success in promoting mass initiatives and inventiveness on the part of the working people, in picking up on their proposals and suggestions and turning them into feasible options, and in orienting dedication and capabilities toward good economic end results.

These requirements will have a definitive influence on the content of the rightfully demanded improvement of legal relationships in the state management system.⁴ Now that political and administrative jurisprudence⁵ has addressed this problem, it seems advisable to inject into the discussion some of the aspects of state economic management from the standpoint of economic law. Our point of reference here is that socialist economic management is an integral part of state management work, that the combines have been incorporated into the state management and planning of the economy and that they perform legally required tasks and functions of state economic management but are not themselves organs of the state.

As large production associations, the combines are at the same time management organizations. The functions of state economic management and direct administration of production are being fused in a new way in the combine, and, in accordance with overall social responsibility, effective forms of a division of labor have to be developed by way of specialization and cooperation between the combine enterprises that are responsible for their own planning and accounting. The 10th Party Congress places great stress on the overall social responsibility of the combines, a responsibility that has made them an integral part of the state management system. It comprises in particular the guarantee of supplying the national economy, the state, the public and the export sector with the combine's stipulated end products that meet demand in terms of quality and time; also involved are the acceleration of scientific-technical progress, the effective use of the public property entrusted to the combines and the improvement of working and living conditions for the working people.

An additional expression of the national economic responsibility of the combines is the fact that they have been assigned state economic management functions that they have to carry out in the interest of society as a whole in conjunction with managing their own reproduction processes.⁶ It is this interrelation — and not departmental or enterprise interests of one kind or another — that constitutes the standard for correct decisionmaking in the combines. If this political/state aspect is neglected, the result is an overvaluation of economic criteria and an undervaluation of political factors in the decisionmaking process. With their state economic management functions, the combines have been assigned precisely defined powers that go beyond a combine's immediate scope of management. This concerns their responsibility for balancing materials, equipment and consumer goods accounts, the performance of tasks in the field of standardization and their work as price coordinating organs and in foreign trade. In a number of combines the foreign trade

enterprises have been incorporated as economically and legally autonomous combine enterprises. Also in the category of state functions is the responsibility of the combines for product group work, which is a specific form of coordination within the branch. In all the areas mentioned, the combine has to make decisions and/or perform coordination functions in the interest of national economic proportionality and effectiveness. The general director and other individual managers have been accorded decisionmaking and control authority to enable them to carry out these tasks.

The combines are important, but not solitary, elements of the system of state economic management. Therefore, a precise distinction has to be made between their rights and duties and the economic management authority reserved to the central and local state organs, and a determination has to be made with regard to the most effective forms and methods of cooperation by these organizations. The new planning order, the various account balancing decrees and other process-related legal regulations have made considerable progress toward organizing legal management and planning relationships.⁷

The Council of Ministers is responsible for managing the entire national economy. It is assisted by the State Planning Commission, the pertinent ministries and the functional organs of the Council of Ministers. It is the task of these central state organs to continue to improve long-range planning work in preparation for decisionmaking, chiefly with reference to the national economic production structure, the proportionality between pre-production and post-production phases, the main trends in science and technology and the long-range intensification of production.⁸

The ministers are responsible within their own sectors for solving basic national economic problems as well as for the development and attainment of challenging goals contained in the national economic plan as broken down by combines. The economic objectives and effectiveness of each combine are thereby precisely identified, and control is opened up not only to the supervisory ministry but to all the state organs that are involved, up to and including the Council of Ministers. It is up to the ministers to ensure that the general directors carry out combine tasks on their own responsibility to a great extent. The main thing that is necessary here is a high degree of coordination of tasks involving territories, branches and the economy as a whole.

Increased teamwork on the part of local state organs and the combines and enterprises must establish the territorial prerequisites for carrying out scientific-technical tasks, further intensifying production and making effective use of social labor resources. Precise determinations have to be made concerning who is supposed to work with whom and in which areas, taking into consideration that a combine can be spread over several bezirks, kreises, cities and towns and that the local state organs have to establish cooperation relationships with numerous combine managements, combine enterprises and parts of enterprises. Combine general directors coordinate with the bezirk councils basic development problems — such as questions of the distribution of productive forces by location, efficient organization of the production structure, development of the infrastructure and the use of territorial resources. The bezirk councils determine the combine enterprises for which they themselves will handle territorial coordination on the basis of state tasks; they also determine the kreis councils' coordination responsibilities.

It is also necessary to support the effective combined efforts of the overall economy of a territory. Unnecessarily long transport routes and the transport of the same kinds of interchangeable products in opposite directions must be avoided. Efficient territorial cooperation relationships have to be developed among the economic units of the combines, among principal, auxiliary and secondary processes, among economic units of centrally administered combines and locally administered combines and enterprises.

Also resulting from the close interdependence between branch and territorial development is the need for close cooperation by the bezirk councils with the central state organs on combine-related matters. Joint planning conferences have proven successful, as has work with general plans for development of a territory's industrial sector and with "territorial viewpoints" and safeguard programs.

Even this rough overview of the division of responsibility within the state management system demonstrates the division of labor approach and the firm incorporation of the combines into this system. At the same time it becomes clear that in the area of economic management it cannot be assumed that the supervisory organ, compared to the subordinate one, assumes responsibility a priori for the totality of state concerns and the totality of social interests.⁹ This kind of simplification of the dialectic of interests is inconsistent with economic law. The unity of plan, balance and contract characterizes the interlocking nature of state and enterprise management activity. The decisionmaking process in the state economic organizations is viewed as a single process that unites state decisions and those made on the organization's own responsibility; the state's decision is not simply the basis of or prerequisite for the organization's own decision.¹⁰ Management relationships between economic management organs and combines and between combines and combine enterprises are marked by an increasing autonomous responsibility on the part of the combines and of the general directors as individual managers. The relationship of authority is therefore not abolished but cannot be defined exclusively as one of superior authority or subordination.

The ministry prepares its decisions together with the combines. In this way many different kinds of working relationships are developed between the ministries and combines, relationships which are instructive in character and which at the same time promote above all a spirit of democratic involvement, the exchange of experiences and collective consultation, as means of support and assistance.¹¹ The Ministry for Construction of Machine Tools and Processing Machinery, for example, holds combine-related consultations prior to the drafting of annual state plan tasks and problem-solving sessions after the tasks have been submitted; these discussions continue until the state plan target has been issued and defended. The regular consultations between ministers and general directors are valued as one of the pillars of management.¹² This working method has led to the establishment of the following fundamental rights and duties in management relations in Article 4, paragraph 3, and Article 24, paragraphs 1 and 4, of the Combine Decree:

The duty of the ministry to prepare decisions together with the combines;

The duty of the minister to hold consultations;

The sole right of the minister to issue directives to general directors;

The right of general directors to demand that decisions be made.

These rights and duties reflect the progressive experiences of modern management work that have already been made a part of the ministries' management processes; in no way do they represent arbitrarily devised autonomous rights of combines in relation to the supervisory ministry.

That binding decisions are made in the management process is an undisputed principle of management under democratic centralism. This obligatory character should not be equated with the right of the individual managers to issue directives, however, nor should it be methodically reduced to the exclusive exercise of this right. For example, the plan decision has developed into a specific legal form that cannot be equated with the directive with regard to the way it came about and its legal effects. In the field of economic management many different methods and legal forms are used that are shaped by economic and labor law and that serve to regulate the actions of combines, enterprises and labor collectives.

The scientific literature classifies the methods of state economic management according to various standpoints: by their content, the way they make use of objective laws, the form of their effect and their legal form. When it comes to the content and form of their effect, a differentiation is generally made between methods of persuasion (methods designed to increase social activity on the part of the working people) and administrative and economic management methods, but these approaches exhibit only minor differences from one another. The division according to administrative and economic methods is worth examining since it does not quite get to the heart of the matter and leads to erroneous conclusions. The type and the content of their effect are juxtaposed as separate methods, thus creating the impression that economic considerations play no role in administrative decisions, or that economic management is state management only when it is carried out with administrative methods, not by applying economic methods. This cannot be the desired effect, however. It is well known that both methods are mutually dependent; they are both aimed at making full use of economic laws in state management of the economy. Lotze makes this pertinent comment: "As a state method of realizing economic requirements systematically, the economic method also always has administrative features in a certain sense, and when it comes to the administrative method, by no means is the existence of relatively independent socialist producers of goods ignored."¹³

K.J. Saradov also underscores the increasingly stronger role of economic methods of regulating production, as well as the increasingly more thorough economic foundation underlying decisions that state organs have to make within the framework of administrative management. These factors reduce the chances for bureaucratic distortions and establish favorable prerequisites for developing initiative in the production collectives and enterprises and at lower levels of management, as well as for obtaining broader participation in management by the working people.¹⁴

These comments give grounds for asking whether the existing division of methods permits adequate expression of their specific natures, or whether it is more advisable to choose a different classification, taking into account the increasing role

of the socialist state in managing the economy. It is especially the current discussions on distinguishing between the subject matter of administrative law and economic law¹⁵ that point up the necessity of specifying management relationships in the economic sphere, and particularly of making a precise distinction between the nature and content of the administrative method and executive-dispositional work. A more detailed determination of management methods pertaining to economic law can certainly make a contribution in this regard. The literature on economic law contains numerous observations and ideas on this problem area. They point to the unity of systematic economic management, economic accounting and economic stimulation. Building on these ideas, one could speak of the methods of systematic economic direction and material stimulation in the economic sphere instead of administrative and economic management methods. Of course, decisions that are administrative/organizational in character, that are made by state economic management organs, should be subject to administrative/legal regulation since they are in the nature of executive-dispositional activity.

Two different objections could be raised to the classification: first, that political and economic management were being separated; and second, that methodicalness is not peculiar to the economy but is characteristic of socialist societal development in general.¹⁶ The intention is not, however, to call in question the political determination of every economic decision and the methodicalness that is increasingly encompassing all areas of social life. Any scientific abstraction is more or less flawed and thus needs to be interpreted; of course, the matter of concern has to be recognizable. So the thing to do would be to find out which option is the most valid and should be applied uniformly in the future. It must also be taken into account here that all elements in the system of state economic management have to fulfill overall social requirements as well as state interests; consequently, an organ-related classification of methods is out of place. Although they take different legal forms, the methods of systematic economic direction as well as economic stimulation are used at all levels of management and in the organization of relationships between these levels, and they are themselves linked to one another.

The central state organs carry out state economic management especially by way of the plan laws, the planning and balancing decisions that make these laws more explicit, economic standards and norms, the provision of economic stimuli and authorization and confirmation decisions. Economic stimuli are used mainly as projects that are planned for subordinate combines and enterprises. The combines carry out systematic economic direction by means of planning and balancing decisions, standards and norms as well as individual production management decisions.¹⁷ Based on economic accounting, the economic stimulation of the work of the collectives serves here as a direct means of regulating conduct.

Different legal forms of coordination have developed among the ministers, among the bezirk councils and ministries and among the combines and the local state organs. The following forms must be differentiated: Joint dispositions, coordinated directives, coordination agreements and legal documents of approval and authorization. Economic contracts of all kinds are used as management tools for preparing, implementing and monitoring cooperation relations.

To summarize:

State economic management is an integral part of overall state management of the socialist society; closely linked to the management of all other sectors, it is political management in the interests of the working class, and its nature is that of a superstructure;

State economic management is practiced by both the central and local state organs and the managements of combines and enterprises. In enterprise management, state management blends in with the direct management of production;

All elements of the system of state economic management are the representatives of overall social interests; they work together in the management process under a division of labor and employ methods of systematic economic direction and methods of economic stimulation at all levels of management, although in different ways;

Socialist law, particularly economic law, stipulates the general conditions of these management methods and specifies in binding form the ways in which they are to be used. This binding force is characteristic of the organization of management law relationships, but these relationships cannot be identified with the unilaterally binding directive relationships having to do with supervisory and subordinate status. The management of combines by the ministries has to be understood as collaboration under a division of labor, a cooperative effort whose instructive character is marked above all by the exchange of experiences and by collective consultations as means of support and assistance.

FOOTNOTES

1. "Directive of the 10th SED Party Congress on the Five-Year Plan for Developing the GDR Economy from 1981 to 1985," Comrade Willi Stoph, reporter, Berlin, 1981, p 11.
2. See "Report by the Central Committee of the Socialist Unity Party of Germany to the 10th SED Party Congress," Comrade Erich Honecker, reporter, Berlin, 1981, p 73.
3. See "Directive of the 10th SED Party Congress on the Five-Year Plan for Developing the GDR Economy from 1981 to 1985," Berlin, 1981, p 81 ff.
4. See R. Steding, "State Management and Socialist Law," STAAT UND RECHT, 1981, p 625.
5. See T. Hiemann, "Legal Relationships Within the State Management System," STAAT UND RECHT, 1981, p 585.
6. See Article 4, paragraph 1, of the "Decree on the State Combines, Combine Enterprises and State Enterprises," dated 8 November 1979, GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK, Part I, p 355 (hereinafter referred to as Combine Decree).

7. See the "Order on the Rules Governing the Planning of the GDR Economy from 1981 to 1985," dated 28 November 1979, GESETZBLATT DER DDR, special issue No 1020; "Order on the Supplement to the Rules Governing the Planning of the GDR Economy from 1981 to 1985," dated 30 April 1981, GESETZBLATT DER DDR, Part I, p 149; "Decree on the Balancing of Materials, Equipment and Consumer Goods — Balancing Decree" — dated 15 November 1979, GESETZBLATT DER DDR, Part I, 1980, p 1; "Decree on Construction Balancing and the Balancing of Construction Planning," dated 15 May 1980, GESETZBLATT DER DDR, Part I, p 127; "Decree on Implementing Investments," dated 27 March 1980, GESETZBLATT DER DDR, Part I, p 107; "Decree on the State Control Powers and Tasks of the Manager of the Pricing Department in State Combines," dated 14 February 1980, GESETZBLATT DER DDR, Part I, p 63.
8. See "Report by SED Central Committee to the 10th Party Congress...", loc. cit., p 27.
9. See T. Riemann, loc. cit., p 593.
10. See H. Such, "On the Nature of Socialist Administrative Law," STAAT UND RECHT, 1976, p 148.
11. See "State Management's Role in Shaping the Developed Socialist Society," Berlin, 1981, p 103 ff; "On the Improvement of Combine Management, Planning and Organization," Berlin, 1981, p 230 ff.
12. See K. Georgi, "Experiences with Cooperation Between Ministries and Combines To Develop Qualitative Growth Factors," published by the SED Central Committee Central Institute for Socialist Economic Management, Berlin, 1981, p 23.
13. L. Lotze, "The Mechanism That Activates the Economic Laws of Socialism and the Socialist State," WISSENSCHAFTLICHE ZEITSCHRIFT DER KARL-MARK-UNIVERSITAET LEIPZIG, Social Sciences and Linguistics Series, 1975, p 232 f.
14. See K.J. Saradov, "On the Relationship Between Economics and Politics," in "Interaction of the Economic and Political Systems in the Socialist Countries," Series B, published by the SED Central Committee Academy of Social Sciences, 1977, No 5, p 26.
15. See W. Panzer, "The Textbook of Administrative Law and the Subject Matter of Economic Law," WIRTSCHAFTSRECHT, 1980, p 22; H.-U. Hochbaum, "State Economic Management and Socialist Law," WIRTSCHAFTSRECHT, 1980, p 102; G. Schulze, "On the Discussion Concerning the Relationships Between Administrative Law and Economic Law," WIRTSCHAFTSRECHT, 1980, p 207; K. Heuer, "Back to the Subject of Administrative Law and Economic Law," WIRTSCHAFTSRECHT, 1981, p 22.
16. See I. Wagner, "Methodical Nature of Development of the Socialist Society — Economic Function of the Socialist State," AKTUELLE BEITRÄGE DER STAATS- UND RECHTSWISSENSCHAFT, Vol 220, Potsdam-Babelsberg, 1980, p 108.

17. Individual production management decisions are all decisions made by the individual manager to guarantee a well-ordered production process and organization of the work; they make up the nucleus of the law covering directives in accordance with Article 82, paragraph 2, of the AGB [Labor Code].

Improved Management Science Needed

Potsdam-Babelsberg STAAT UND RECHT in German Vol 30 No 8, Aug 81 (signed to press 25 Jun 81) pp 685-692

[Article by Dr Rolf Steding, GDR Academy of Political Science and Jurisprudence: "State Management and Socialist Law"]

[Text] Law plays a decisive role in the life of the socialist society. It lends an overall binding force to the basic policies of the Marxist-Leninist working class party by way of an appropriate system of norms; thus it is a determining factor in paving the way for social progress and in implementing and protecting it in the face of all hostility. However, it is capable of fulfilling this function only if its specific possibilities for influence are consistently taken as a point of reference and its specific place is clearly determined within the ensemble of institutions that make up the socialist superstructure. This applies in particular measure to the use of socialist law within the framework of state management.

A stronger role for law within the sphere of state management relationships is an indispensable prerequisite for putting into effect the economic strategy for developing the national economy as resolved by the 10th SED Party Congress. "Major importance is ascribed to the strict observance of those laws that concern the activity of enterprises, combines and state economic management organs aimed at effective economic management geared to increased performance and the protection of state property."¹ This challenge to socialist law can be met not through an increasing "legalization" of state management by way of expanding its field of regulation, but only by increasing its influence on the structuring of reproduction conditions, which will be growing more complex in the 1980's.

Although there is a definite realization that the legal regulation of state management relationships is increasing with the growing importance of the state in structuring the developed socialist society, the conclusions connected with this realization are varied. In the effort to give greater force to law in state management activity, the attempt is also made from time to time to come up with a legal structure for management relationships for the socialist state, especially in the economy; strictly speaking, these relationships do not lend themselves to legal regulation. The limits of the law are thus exceeded and its potential capacities overtaxed. Such an approach damages the authority of the law in the state management process and in no way serves its objectively necessary development in the process of structuring the developed socialist society.

The relationships between state management and socialist law are of fundamental importance to socialist political science and jurisprudence. There is no question that Karl Polak rendered a great service when, even in a relatively early phase in the development of socialism in the GDR, he adopted a remarkably clear scientific

position on the structure of these relationships. Namely, one of his most important theoretical statements demonstrated that "the question of the relationship between socialist management activity and socialist law is by no means a special issue within socialist political science and jurisprudence, but rather a basic question of socialist stateness, socialist legitimacy and socialist law."² This perception continues to be valid.

The key question in the relationship between state management and socialist law consists in differentiating between the two factors — proceeding from a common basis and with a unified goal in mind — in such a way that the law is able to fully develop its social effectiveness. Running counter to this requirement would be any attempt to bring the law into line with state management from the standpoint of the scope of the social relationships involved. Consequently, one has to agree with Arit when he comes to the following conclusion — with reference to the relationship between economic management and law: "Thus, in general it is a question of uncovering the specifics of economic law, or law, and in particular of looking into its most effective use in structuring economic relations. Only this can protect against a widespread overestimation of the possibilities of the law while simultaneously making more effective use of its actual possibilities."³

The law is by no means the only management tool employed by the socialist state. Rather, other management methods are also used for this purpose, although management science everywhere goes about systematizing them in many different ways. Methods involved here, for example, are ideological, economic, organizational, administrative or cybernetic. In my opinion, they have to be precisely defined and distinguished from one another from the standpoint of political science and jurisprudence, because only a specific knowledge of the relationships of law to individual non-legal management methods can fully reveal the specific possibilities for applying the law in the sphere of state management relationships.

The relevance of such an approach is clearly exemplified by the circumstance that the nonlegal efficaciousness of the socialist state is in many respects "conveyed" by the law. Consequently, we can fully concur with Uwe-Jens Heuer when he says — referring to the ideological content of economic law —: "No matter how effective the law appears to be as a management tool, it achieves lasting effects only if it accomplishes its ideological objectives, if it adequately reflects material social relationships as valuations."⁴ A statement like this cannot be applied in the same way to the relationships of law with other management tools. Consequently, differentiating in the law's relationship to other of the socialist state's management methods constitutes a way to increase specific knowledge of the law's specific possible applications in the area of state management relationships with an eye to expanding its active role. Of course, the decisive point of reference in the examination by political science and jurisprudence has to be directed toward the requirement "for concentrating all the managing, planning, organizing and educative work of the state organs even more than before on improving the performance of the national economy and increasing its effectiveness."⁵ This challenge also demands that the effectiveness of the law within the state management process always be judged by its contribution toward realizing the SED's economic strategy in the economic management activity of the socialist state.

A characteristic of the process of improving state management of the economy in structuring the developed socialist society consists in the increasing expansion of its scientific foundations. This process is expressed -- although on a considerably broader scale and extending beyond the management relationships of the state as a management subject and the economy as a management object -- in the development of a Marxist-Leninist management science whose field of study is "the objective natural laws of forming and developing the management system and structuring management relationships."⁶ This management science, which is also developing in other states of the socialist community -- in the USSR⁷ and the People's Republic of Bulgaria, for example⁸ -- also has to lean heavily on political science and jurisprudence.

However, political science and jurisprudence has thus far done little to stimulate the incipient science of management. This is reflected not only in the circumstance that its potential contribution within this framework has not been clearly determined; it is also expressed in the fact that political science and jurisprudence -- compared to other sciences -- has been relegated to a position in the management process that is very limited and, unfortunately, above all heavy on formalisms, a position that is not in keeping with its possibilities. This means, however, that increased social effectiveness for political science and jurisprudence is being sacrificed right from the start.

The problem here consists in broadening its methodological base right at the stage of conception by bringing political science and jurisprudence into management science. It is therefore not a matter of integrating political science and jurisprudence in its entirety into this developing science of management. It is a question of approaching the former -- which to a certain degree has to be considered a "specific" management science in itself⁹ -- more from the standpoint of the management science of Marxism-Leninism and of developing it within this framework.

One consequence of the insufficient inclusion of political science and jurisprudence in the science of management is, for example, that socialist democracy is still too far removed from the adoption of a conceptual approach, at least with regard to the theoretical basis of economic management -- or, to be more exact, of the management of industry and construction by the socialist state (it does not apply to the state management of agriculture). A more effective integration of political science and jurisprudence into the science of management could help eliminate this conceptual deficiency and make a contribution to management science in the form of important statements on socialist democracy, as that "principal direction in which our government will continue to develop in the future."¹⁰

Although political science and jurisprudence in the 1970's was increasingly oriented toward the examination of state management as a category,¹¹ and it produced some interesting studies along those lines,¹² the development of a theory of scientific organization of state management -- more or less alongside Marxist-Leninist management science -- is incapable of coping with the reciprocal relationship between state management and socialist law because, as "merely" a political science discipline, it does not make the law more efficient in management relationships. It still has to be taken into account here that the theory of scientific organization of state management examines only the organization of the state management subject without including its reciprocal relationships with the management object. And it is my opinion that the structure of these relationships is what permits any high degree at all of social effectiveness of management relations.

A grasp of the relationship between state management and socialist law — interpreted as a management science problem — is a fundamental requirement placed on political science and jurisprudence, one that includes the question of what law is capable of doing in state management relationships and where its limits lie. This question can of course not be answered properly if, from the beginning, law is accorded only more or less an organizing function in the state management of the economy,¹³ a function that gives state management relationships a certain cohesion and guarantees stability up to a point. This falls far short of taking full advantage of the possibilities of socialist law.

Law's most important contribution within the framework of state management should be seen as the binding determination of interests and resulting tasks that are in keeping with existing social requirements in conformity with the objective natural laws of development. This simultaneously implies the exclusion via the law of those interests that cannot be taken into account either temporarily or permanently. The greater the success in expressing in the law the interests and the will of socialist society's leading working class, and in carrying them through in state management work with the help of this working class, the greater the prerequisites for putting socialist law to use with the maximum amount of social effectiveness, also in the effort to implement the SED's economic strategy in the 1980's. Law is thus not only an indispensable element but at the same time a criterion of state management as well.

The importance of the law's influence on management relationships is shown by the fact that law determines the foundations on which they are built, including the structure of the organs in the management system;¹⁴ it delineates democracy as the decisive form of the realization of state management relationships under socialism; and it delimits the responsibilities of the state management organs on the basis of democratic centralism. In this regard the sorting out of responsibility is an especially important prerequisite for successful work by the state, and one that has to be established with the help of the law. After all, it is an important requirement of state activity to determine with binding force the specific responsibilities of this or that organ and the boundaries within which it is supposed to carry out its work.

Not least of all, socialist law can and should make a special contribution to the structuring of the decisionmaking process. This applies not only with reference to regulating the criteria on which management decisions are to be based in theory and practice; it also applies in greater measure to the many different types of legal decisions themselves, decisions for whose observance firm rules exist and for which there are specific consequences for nonobservance. Just how important the law's role is in the state decisionmaking process can be seen in the fact that the management decision "has the strongest effect on the system that is doing the managing and the one that is being managed, on the social environment, the will, the consciousness and the activity of the people."¹⁵

There is no question that the reciprocal relationships between state management and socialist law are even more varied and that they cover other aspects that cannot be discussed here. However, the aforementioned possible influences of the law on the state management process illustrate in an exemplary manner that the role of political science and jurisprudence has to be made broader than before within the

framework of management science. The impulse here must originate with the political science and jurisprudence discipline itself. In this respect as well, it has a duty to offer its services to the science of economics,¹⁶ particularly since it can provide clear statements on a large number of management issues.

Political science and jurisprudence as a whole is being charged with developing a comprehensive theory of the relationship between state management and socialist law within the framework of Marxist-Leninist management science, and with overcoming any attitude of neglect in this regard. This charge makes it necessary for both political and legal theory — which constitutes the uniform basis of socialist law as an element of the social system of management — as well as the branches of jurisprudence to make their own unique, but shared, contribution to the preparation of a theory covering questions of law as they pertain to state management of the national economy under developed socialism.

Experience proves that the deeper the insight into natural laws that underlie the socialist transformation of society, and the more concretely predictable its course of development is and the easier it is for the state organs to structure, the greater the success will be in developing and applying socialist law in every instance in such a way that a maximum of social effectiveness is achieved in the state management process. However, necessary to this process is an even stronger link between political and legal theory and the branches of jurisprudence. Only this link — interpreted as a principle to be practiced permanently — will make possible a fruitful theoretical generalization of the relationships between state management and socialist law.

The branches of jurisprudence themselves bear a major responsibility in this connection — though their responsibilities vary. It would of course be a fallacy to assume that this responsibility could be conferred essentially only upon the science of administrative law.¹⁷ Nevertheless, together with political and economic jurisprudence it is of critical importance. Its problem, however, consists here in a more effective mastery of the subject-object dialectic as it relates to the specific subject matter, and — excluding economic jurisprudence in this instance — in its stronger reference to the relationships of management in the material production sector. In this respect, a different path is being followed in the scientific examination of the legal issues involved in the state management of agriculture within the framework of agricultural jurisprudence.¹⁸

The role of law will not have a profound influence on management of the socialist society until socialist social relationships are adequately comprehended and actively structured with the help of the law. "State management work and the law are the lever and the motive force which make socialist social relationships unfold. To view them outside of these relationships — or separate from them — is to distort their essence, to lower them to the level of bourgeois statehood, to fall into bureaucracy and formalism."¹⁹ One of the consequences of this is that theoretically the relationship between state management and socialist law can in no way be managed via a polished legislative technique, but only by having the law organize social relationships in the management process in an appropriate manner.

The orientation of the 19th SED Party Congress toward "our economy, our people's major effort to achieve a great increase in economic performance"²⁰ as the center

of social policy, makes it necessary also to focus socialist law more sharply on its contribution toward guaranteeing high production growth and on its effectiveness within the framework of state management work. This presupposes some rethinking in the area of political science and jurisprudence — on the one hand, with reference to turning toward the economy as the principal sphere of societal development; on the other, with regard to a more effective planning of cooperation, both internally and with other sciences within the framework of Marxist-Leninist management science.

FOOTNOTES

1. "Report of the SED Central Committee to the 10th SED Party Congress," by Comrade Erich Honecker, Berlin, 1981, p 119.
2. K. Polak, "On Dialectics in the Science of Politics," Berlin, 1963, p 393.
3. R. Arlt, "Problems of the Effectiveness of Economic Law," STAAT UND RECHT, 1980, p 1031.
4. U.-J. Heuer, "Law and Economic Management," STAAT UND RECHT, 1977, p 1131.
5. "Directive of the 10th SED Party Congress on the Five-Year Plan for Developing the GDR Economy from 1981 to 1985," report by Comrade Willi Stoph, Berlin, 1981, p 39.
6. See "Management of the Socialist Economy — An Introduction," Berlin, 1976, p 67.
7. See, for example, "The Management of Socialist Production — Questions of Theory and Practice," Berlin, 1977.
8. See, for example, B.M. Markov, "Theory of Social Management," Berlin, 1978.
9. See W. Grahn/I. Wagner, "On the Development of the System of Political Science and Jurisprudence," STAAT UND RECHT, 1978, p 58.
10. "Report of the SED Central Committee to the 10th Party Congress"..., loc. cit., p 116.
11. See, for example, M. Benjamin, "On Theoretical Problems of State Management," STAAT UND RECHT, 1971, p 1742.
12. As representative of other works, see "State Management in the Structuring of the Developed Socialist Society," Berlin, 1981.
13. See "Management of the Socialist Economy," loc. cit., p 258.
14. See L.B. Galperin, "The Increasing Role of Socialist Law in State Management Work," STAAT UND RECHT, 1979, p 62.
15. See Yu.A. Tikhomirov, "The Management Decision," Berlin, 1975, p 7.

16. See U.-J. Heuer, "On Further Increasing the Social Effectiveness of State Management and Socialist Law in Carrying Out Economic and Social Policy as United in the Main Task," in "The State and the Law in the Developed Socialist Society," Berlin, 1981, p 87.
17. See M.I. Piskotin, "The Main Lines of Research in the Field of State Management in the USSR," STAAT UND RECHT, 1981, p 140 ff.
18. See, for example, "State Management of Agriculture in the GDR and the USSR," Berlin, 1980.
19. K. Polak, loc. cit., p 437.
20. "Report of the SED Central Committee to the 10th Party Congress"..., loc. cit., p 46.

7458

CSO: 2300/252

AGRICULTURAL MEASURES SEEN BRINGING ONLY PARTIAL REFORM

West German Analysis

Hamburg DIE ZEIT in German Vol 37 No 15, 9 Apr 82 p 22

[Article by Joachim Nawrocki: "Back to the Village Community--Shortage of Foreign Currency Necessitates an Increase in Output." A translation of the East Berlin EINHEIT article by Werner Felfe, cited below, is published in JPRS 80519, 8 Apr 82, No 2256 of this series, pp 19-29, under the heading "SED Calls for Agricultural Production Consolidation in 1980's"]

[Text] Farmers in Neubrandenburg Kreis fight for every piglet. Lately they wrote to Comrade Erich Honecker: "We are multiplying our efforts to improve breeding results and are striving to have every sow produce 18.1 piglets per annum from its first throw, and every cow a healthy calf." The inspiration for this effort was the party chief himself.

"Comrade Honecker's directives" are more and more frequently cited in the GDR with regard to farming. The SED is not satisfied with the achievements of its farmers and therefore tries cautiously to introduce some reforms in farm policy. Officially this is to happen at the Twelfth GDR Farmers Congress on 13 and 14 May next.

At the moment the GDR is in the stage of the "broad democratic preparations" for the farmers congress. This usually involves a stream of letters to the SED Central Committee, to the effect of assuring the general secretary that the documents relating to the farmers congress are meeting with the full approval of farmers, or that at a time of "U.S. and NATO rearmament every additional kilogram of grain and deciton of feed from domestic yield is particularly important for the output of milk, meat, eggs and wool."

This link between grain output and the East-West conflict is by no means a spontaneous happening. Toward the end of last year Honecker himself proclaimed to the SED Central Committee that "the significant rise in farm output is a political task of the first order." Present challenges could no longer be measured by the criteria of the past. The problems of farm output were "of growing significance in the international class conflict" and touched upon the vital interests of the republic. "At the present time we may well compare the ranking of the grain problem with that of oil prices."

That is a dramatic appeal indeed. Not only the Soviet Union and Poland need to import grain, the GDR must do so as well. It buys 3-4 million tons annually--at

rising prices and for hard currencies, because nowhere in the Eastern Bloc are any grain surpluses available.

Almost 20 percent of GDR exports to the West must pay for grain imports. To improve this situation, hectare yields at home are to be substantially raised and grain acreage increased.

Werner Felfe, SED secretary for agriculture, writes in the party newspaper EINHEIT that the basic condition for doing so is "the best possible farming, the lasting improvement of soil fertility by high-quality cultivation and the adequate supply of organic substances for the soil. Karl Marx already pointed out that the land improves progressively if properly treated."

From that standpoint the land has certainly not been properly treated in 30 years of socialist farm policy. Hectare yields in the GDR lag far behind those in the FRG. It is the aim in the current five-year plan period to achieve 39.5 decitons of grain; farms in the FRG regularly harvest 10-15 percent more.

With regard to potatoes the GDR plan provides for 220 decitons per hectare; farmers in the FRG harvested more than 260 decitons in 1980 and as much as 296 decitons in 1978. In the case of sugar beet the GDR has failed to even achieve prewar yields, obtaining no more than an average 270 decitons per hectare. The plan through 1985 aims at about 330 decitons; in 1980 the FRG harvested 484 decitons! Milk yields per cow in the GDR lag behind the equivalent FRG results by 10 percent, egg yields per chicken by 20 percent.

Industrialized Labor

And yet the GDR uses no less fertilizer than the FRG; in fact GDR farmers use more nitrogen and potash per hectare, about the same volume of phosphoric acid. In the GDR 125 people are employed full time per 1,000 hectares of agricultural area compared with only 79 in the FRG. At the same time GDR farming allegedly lacks 100,000 workers!

The use of fertilizers and manpower or even soil quality therefore cannot offer an explanation of that which Agriculture Minister Heinz Kuhrig lauds as the "continuity of Marxist-Leninist farm policy by party and government." The differences are mainly, though not altogether, due to the so-called industrialization of farming. This has resulted in steadily larger management units and the rigorous separation of crop and livestock production.

At the end of World War II the GDR had more than 600,000 private farms. Following forced collectivization no private farms at all survived in 1960; they were replaced by 19,261 production cooperatives (LPG's) with an average size of 28½ hectares. Every village had one or two LPG's; village communities were not destroyed. By now only 1,065 LPG's for crop production and 2,819 LPG's for livestock production survive in the whole of the GDR; also operating are 69 state farms (VEG's) for crop production and 332 VEG's for livestock production. The average size of the crop production LPG's exceeds 5,000 hectares, a few LPG's hold as many as 30,000 hectares. Each LPG includes 5-10 villages. The work brigades are highly specialized; there are plowing and harvesting brigades, root crop and grain brigades.

A letter to the editor of the NEUE DEUTSCHE BAUERNZEITUNG asked "who is actually responsible for the soil at this time? A specialized brigade can always excuse itself by blaming another one." This means that farm work is now just as alienating as work in industry. One contributing factor is the multitude of abbreviations for farm enterprises and cooperative units: LPG (Crops) and LPG (Livestock), VEG, ZGE /intercooperative facility/ and ZBE /interplant facility/, KOG /cooperative society/ and KOE /cooperative facility/, KAP /cooperative crop production department/ and KAT /cooperative livestock production department/, VdgB /peasants mutual aid association/ and BHG /peasants trade cooperative/, and so on and so forth.

The consequences of gigantomania and specialization could have been foreseen; enough warnings were uttered even in the GDR. Before arriving on the job, the average farmer now travels 12 km. Fertilizer, feed and manure are carried an average of 8 km. That takes time and uses fuel, especially because road construction certainly did not keep pace. Not only are workers moved from one huge field to another, they are also delegated to other enterprises, and at harvest time students, soldiers and forestry workers are called upon to help.

New and so far unsolved veterinary and other problems arise for livestock keeping in enormous production plants. No longer is manure mixed with straw available; present now is only liquid manure, hard to store and apply as fertilizer--on top of that it is becoming something of an environmental problem. The strict separation of crop and livestock production also means that supplies of feed, raw materials and barn manure now need to cross enterprise borders and therefore tend to be irregular.

All this is the consequence of the doctrine that work on the land must be industrialized, that conditions in villages must be approximated to those in cities, and that the work of the farmers must be adjusted to that of industrial workers.

That has gone so far as to compel Honecker to state: "We are certainly not among those who think that the class of cooperative farmers will disappear in the course of the transition to industrialized methods of farm production."

And Agriculture Minister Kuhrig had to point out that the working day will still have to be adapted to the special conditions of crop and livestock production. "That has always been the case in farming and will continue the same way."

Still, the consequences of large-scale farm management are not the only reasons for the unsatisfactory output. GDR agriculture has long struggled to till, cultivate and harvest the fields. Root crops, in particular, react badly to delays in planting, mistakes in the crop sequence and in cultivation. Moreover varieties of potatoes tend very quickly to be exhausted, but new varieties and high-quality seed potatoes are unavailable.

The transition to liquid manure management has resulted in a shortage of organic fertilizer; the land is unable to produce humus. Finally the heavy and unduly large farm machinery leads to compacting and structural damage.

Furthermore, supplies of farm machines and machine maintenance leave much to be desired. Judged by annual investments, for example, tractors need to last 16 years before replacement. As a result they need a lot of repairs and incur much downtime,

and spare parts and machines tend to be in short supply precisely when the need is greatest. That again is the reason for delays in tilling and harvesting and, in turn, brings about harvest losses.

Of course the SED will never admit that the all-knowing party could have made a mistake. Its officials express themselves far more circumspectly--for example: "In view of the tasks confronting us, we must use our best judgment and foresight to examine what has proved to be nor not to be useful" (Honecker).

"Some procedures that appeared correct 5 or 10 years ago appear in a very different light now in the much changed economic conditions" (NEUES DEUTSCHLAND). Or: "It therefore appears necessary to encourage everything serving more closely to link crop and livestock production" (Felfe).

Half-Hearted Reforms

The slogan now is "back to the village." The SED organ NEUES DEUTSCHLAND already describes the desired result of the draft resolution to be adopted at the farmers congress: "Farmers mostly to work near their village, transport costs for feed to drop, the condition of the land and the crops to be visible to all and evidently the visiting card for the quality of farm labor."

Heinz Ziegner, first SED secretary in Schwerin, already acknowledges "that once again we will see arriving a welcome situation, in which the barn is as familiar to the crop producer as the field is to the livestock keeper."

To be restored, therefore, is the attachment to village and community, the unity of crop and livestock production, the variety of farm work--all of which had been perversely destroyed. However, this does not mean that SED farm policy intends to go into reverse.

Only a few outsize LPG's have been broken up; in general the prescription runs otherwise. Cooperation relations between the various enterprises are to be improved. The brigades now specialized to perform certain work are to be replaced--at least in part --by "regional brigades," in other words locally attached collectives; and the brigades of crop production are to collaborate more closely with those of livestock production.

Agriculture Minister Kuhrig calls for the "greater responsibility of brigades and sections" as well as for "manageable collectives with their own plan."

The symptoms of gigantomania, therefore, are to be dealt with, not the causes. Many diverse measures are to help improve supplies and reduce the need for imports. Pasture management and hay production are to be improved, feed reserves such as kitchen refuse developed.

And once again the party smiles benevolently upon gardeners, settlers and small livestock breeders, so that they may supply more fruit, vegetables, honey, rabbits, eggs and skins.

At the same time nothing has changed as to fundamentals--that emerges from the draft motions for the farmers congress. The importance of the LPG's is to be emphasized

and cooperation further developed. Some motions fondly recall past traditions: "The friends of the art of cooking or of hobbies must come into their own. Is there really anything finer than for a LPG plenum to begin by having the village choir sing the old familiar songs--the village choir to which our wives and children belong--, while we ourselves sing along with them?"

On the other hand the farmers congress next May will affirm that "we have literally become new people." All GDR agriculture will the need are the appropriate yields.

Self-Sufficiency a Distant Goal

Frankfurt/Main FRANKFURTER RUNDSCHAU in German 7 Apr 82 p 9

/Article by Claus Hoecker DPA: "The GDR Is Far From Self-Sufficiency in Food-- Changed Eating Habits Cause Difficulties for Agriculture; Despite Rising Costs Investments Are Not Being Increased"/

/Text/ The establishment of giant combines characterized the first stage of the reorganization of the GDR economy with the aim of achieving greater productivity. A second step is the review of farming within the framework of a cautious SED reform policy. In view of the cost explosion in the West and the crises of the system in the East this has the goal of largely excluding foreign trade influences on the stability of the domestic socialist experiment.

The Twelfth Farmers Congress in May next will not decide to turn away from "industrialized" cultivation and livestock breeding methods. Ranking just below the all-pervasive need to conserve energy, especially diesel fuel, is the wish for a rapid rise in hectare yields of grain and feed in order to reduce imports. The notoriously unfavorable cost-yield ratio is among the most objectionable aspects of an otherwise fairly successful farm policy.

Still, the government will have a harder time now than in past years to achieve the desired "self-sufficiency in food," because popular eating habits have shifted from grain products and potatoes to meat and animal products in the East as well as in the West. Consequently the satisfaction of the feed requirements for livestock is more and more a matter of urgency. Unfortunately it is just in this sector that the GDR was compelled in the last five-year plan period to import (mainly from the United States) an average of 3.5 million tons of high-protein grain varieties to raise the yields of pigs and beef cattle.

The last harvest amounted to 9.2 million tons (36 decitons per hectare). This was still well below the 10.4 million tons (43.7 decitons/hectare) proclaimed as the goal for 1985. By comparison with the FRG the GDR is doing particularly badly in the cultivation of potatoes. Here the arrears amount to 37 percent at a yield of 100 decitons per hectare. In the case of sugar beet the gap actually widened from 39 percent to 43 percent. Seeking the reasons for these differences, the Research Agency for All-German and Economic Issues found that some disadvantages arising from industrialized production are involved as well as soil and climatic conditions and the general problem of motivation in a collectivized agriculture.

As 25 percent of beef cattle and 30 percent of pigs, for example, are housed in giant barns and without straw, the quality of waste (important as fertilizer) has deteriorated considerably. Flushed out by water, the 54 million tons of liquid manure have little dry substance. As a rule the storage containers are sufficient only for 2-3 weeks, though--for reasons of chemistry--storage should ideally last no less than 50 days. The customary period in the FRG is 160 days. Moreover, small liquid manure ditches require unduly frequent and labor intensive transportation to the fields.

A return to smaller barns would at least help bridge the difficulties involved in the annual manufacture of 943,000 tons of nitrogen fertilizer. As Soviet oil deliveries have been cut by 2 million tons, the raw material base is no longer available for the envisaged expansion of fertilizer production by almost 300,000 tons through 1985. From 1983, therefore, it will probably be necessary to import 350,000 tons of ammonia from the USSR. Plant protection supplies have considerably improved in recent years. However, frequently these supplies are not available at the right time or in the right place. Due to the reduced efficacy of the preparation and the greater consumption involved in the use of crop spraying aircraft, the volume of plant protection substances used now amounts to 5.6 kg per hectare, well above that of the FRG (1979: 4.5 kg).

Despite the inexorable pressure of costs farming will not be allocated more investment resources in the 1981/1985 plan period than in the previous five-year period (1976/1980: DM25.6 billion). Also untouched will be the division into enterprises of livestock and crop production, introduced since 1968. A new LPG law--the current legislation dates back to 1959--is intended by the SED better to regulate the contractual relations that now evidently involve frictions and result in obstacles to greater productivity. In place of central target assignments Agriculture Minister Heinz Kuhrig has also discovered the benefits of "manageable collectives with their own funds" within the giant LPG and suggested a debate on the "division of tasks."

The enormous demand for motor fuel must be considered the possibly most serious effect of the concentration of farming in approximately 4,000 LPG's and 400 state farms (1970 still counted 9,866 enterprise units). It needs 4,500 buses to move farm workers between villages and fields. In 1973 trucks (50,000) accounted for 18 percent of the technical equipment of enterprises; now they exceed 30 percent. Coping with long distances and huge transports has long since become the pivotal point of punctual planting and proper harvesting operations.

11698

CSO: 2300/247

TASKS FOR AGRICULTURAL MACHINERY CONSTRUCTION DISCUSSED

Shortcomings Noted

Dresden SAECHSISCHE ZEITUNG in German 2 Apr 82 p 6

[Response by Joerg Marschner to question from reader Hans Naumann: "Mechanization Gaps in Agriculture?"]

[Text] [Question] With great interest I have been following the public discussion in preparation for the Farmers' Congress. I regret, however, that there have been no comments by the producers of agricultural machinery. How are they going to approach the new tasks? (Hans Naumann, 8600 Bautzen).

[Answer] At a conference of the Party Aktiv of the Neustadt Fortschritt Landmaschinen [Progress Agricultural Machinery] Combine VEB at the end of last month, this was one of the key questions. An answer will have to focus on three aspects:

Firstly: The combine with its 68 enterprises and nearly 66,000 employees is working on a program designed further to develop the integrated mechanization of the technological processes in the agricultural sector--in crop cultivation and in livestock breeding. In high-level collaboration with agricultural experts, the combine identified the areas that still show mechanization gaps. In the field of livestock breeding, these gaps are to be closed by means of the so-called stable work installation. Thus the workers of the Progress Combine are making allowance for the fact that most of the presently available old stables must be kept in service and that this will be possible, if the key operations are effectively mechanized. According to the combine's campaign plan, this machine is to be put in operation in 1984. In this connection, one must take into consideration that the combine and its suppliers must beforehand make available the appropriate new capacities. As early as next year, the workers of the Progress Combine want to make available a greater number of machines for coarse fodder--i.e. hay--production so as to reduce the share of feed grain.

There are other important research and transmission targets: Among other things, the combine plans to reduce the energy consumption and the weight of the agricultural machinery; generally speaking, the products of the Progress Combine will have to make greater allowance for the biological requirements of crop cultivation and livestock breeding.

Secondly: To meet their cooperation-related obligations, the collectives of the Progress Combine are prepared to work toward increased continuity in regard to spare part production and supply. The experts know that there is much room for improvement in this regard. The Progress Combine is in charge of a stock of over 100,000 spare parts, and the way this responsibility is discharged is a key factor in regard to the efficient use of the billions of marks invested in agrarian producer goods. In honor of the combine, one should mention the fact that nearly 98 percent of the spare parts distribution is carried out without any problems; however, the remaining 2 percent are the tricky part. Consequently, the Party Aktiv Conference recommended to orient the combine's entire reproduction process toward stabilization of the spare parts supply, to take all the requisite reorganization measures, and to reduce the demand for spare parts by focusing the developmental research work on improving reliability and extending service life.

The third aspect concerns the cooperation between agriculture and industry. I would like to draw attention to the following figures: The agricultural sector has at its disposal approximately 145,000 tractors, approximately 50,000 trucks, over 250,000 trailers, more than 13,000 combines, tens of thousands of other special machines, including 7,000 forklifts, approximately 6,000 feed distribution vehicles and over 2,500 feed conveyors. A more efficient utilization of these capacities presupposes rationalization measures in the agricultural sector itself. Thus the draft resolution contains the goal by 1985 to turn out M 1.6 billion worth of domestically produced rationalization equipment and thus to double the production volume. Certain selected projects will require direct cooperation between the industrial and the agricultural capacities.

Goals for 1985 Outlined

East Berlin AGRARTECHNIK in German Vol 32 No 2, Feb 82 pp 48-50

[Article by Dr W. Eckhof, engineer, Chamber of Technology, Ministry for Agriculture, Forestry and Foodstuffs: "The Tasks of Agricultural Machinery Construction During the Five-Year Plan Period Up to 1985"]

[Text] At the present developmental level of the material-technical basis of livestock breeding and under the changed reproduction conditions of the 1980's, measures concerning a more intensive utilization of the existing production facilities are assuming increasing importance also in regard to production expansion and efficiency improvement in livestock breeding.

In this connection, preventive maintenance, the rationalization and reconstruction of the existing individual stables and facilities and of the industrial installations are assuming increasing importance. The directive of the 10th SED Party Congress concerning the five-year plan for the development of the GDR economy during the period from 1981 to 1985 formulates the following demand:

"All measures toward intensification of agricultural production, rationalization and reconstruction must be closely linked with a more efficient utilization and further consolidation of the material-technical basis of agriculture and its gradual transition to industrial production methods."

In 1980, the capital goods equipment level in socialist agriculture was raised to over 180 percent as compared with 1970.

Thus, aside from the necessary continuous expanded reproduction of the basic assets, it is necessary better to utilize the available capacities. All capacities, including the material and the financial funds, must be utilized for the intensification efforts.

As partners in the LPG [agricultural producer cooperative] and VEG [state farm] livestock breeding, the enterprises of the agrotechnical machine building industry carry great responsibility in this respect; in the future, they will have to press more actively for mechanization. Through significant advances in regard to further mechanization, above all in regard to feeding and manure disposal, and through improvement of labor productivity in regard to milking, manpower cutbacks must be effected so as to reduce the manpower deficit in livestock breeding and further to cut back the share of heavy physical labor.

The manpower deficit and the further manpower reduction must be compensated above all through improvement of labor productivity, primarily by means of further mechanization. At the same time, these mechanization measures are to contribute to a highly efficient feedstuffs utilization, thus helping significantly to reduce or eliminate the imports of feedstuffs.

Concretely, this means that in many cooperatives the feeding procedures and thus the requisite feeding equipment must be reorganized so that all of the cooperatives' available feedstuffs can be appropriately utilized. In addition, it is necessary to give priority to measures designed to reduce the absolute and the specific energy input.

Since 1960, the capital goods equipment level in the livestock breeding sector has increased to over 2.5-fold. In the last few years, the capital goods equipment level has been raised through rationalization and reconstruction measures and through the construction of industrial production facilities. Thus it has been possible to reduce the share of the manual labor involved in feeding and manure disposal by an average of approximately 2 to 4 percent for the individual livestock categories. The primary task of the Agrotechnical Installation Building (ITA) VEB concerning mechanization of the work processes results from the concrete circumstances and the condition of the existing stables and installations, which can be characterized as follows:

--In the stables of the 1950's and 1960's, in which approximately 50 percent of the livestock are accommodated, the mechanization equipment is for the most part nonstationary and characterized by a number of different levels:
Coarse-fodder storage in horizontal silos;
feed distribution by means of tractor-drawn trailers, hand-drawn carts and tractor-drawn feed distribution cars, and trailer rigs;
surface manure disposal by means of tractors, sweepers, scraper chains and wheelbarrows;
nonstationary manure and liquid manure removal.

These stables will have to be subjected to intensified efficiency measures, which must be combined with further mechanization aimed at raising the technological levels. In these endeavors, well-tested technical equipment should be employed.

--Approximately 25 percent of the livestock are still kept in stables that were built before 1950 and that are insufficiently mechanized. In these stables, the possibilities of using the available mechanization equipment are limited. It is especially in regard to the rationalization of these stables and installations that the LTA VEB bear great responsibility in regard to advising the livestock breeding enterprises on the selection of the mechanization solution most appropriate for the given project. It is imperative that the units involved not wait for orders; rather, the rationalization and reconstruction processes must be actively influenced. The accomplishment of this task is a criterion for the way the LTA VEB discharge their responsibility in the region. The LTA VEB are best informed on the supply of equipment and on the possibilities of making this equipment available. At the same time, better preconditions are created for a more extended demand planning. In accordance with the condition and utilization possibilities of the mechanization equipment, the LTA VEB--in consultation with the cooperative farmers and workers--must make a site-related decision concerning the further utilization of the stable installation and the rationalization and elimination measures to be taken. At any rate, it is necessary to exploit all possibilities of mechanizing the work processes in the smaller and older stables, which will have to be used for some time for livestock breeding, so as to insure a high level of labor productivity and good working and living conditions for the employees.

--In the stables and installations that were built after 1970, the feeding and the manure disposal are largely mechanized. These operations are characterized by the following:

- Coarse-fodder storage in high-rise and horizontal silos;
- centralized feed preparation;
- feed distribution by means of primarily stationary systems (conveyor belts, feed conveyors, pipe feeding installations);
- underground manure disposal systems (flow ducts, retaining drains, dragging bucket);
- centralized liquid manure storage and processing.

Regarding these stables and installations, it will be necessary in the next few years to concentrate on prompt maintenance and replacement of equipment so as to insure continuous production and to maintain and further raise the high technological level attained. Above all, it will be necessary to increase the liquid manure's content of dry substance.

In the event of reconstruction, it should be kept in mind that the latest results of scientific-technical progress must be introduced--with due regard for the efficiency of overall operations.

Regarding investments during the five-year plan period, it is assumed that most of the investments are aimed at rationalization and reconstruction. At the same time, it is necessary to insure prompt replacement of equipment.

Due to the investment concentration, above all the concentration on rationalization of smaller stables, the structure of the requisite equipment continues to change, resulting in a higher share of nonstationary technology. It is one of the advantages of nonstationary mechanization that for the most part it does not require large-scale construction or assembly efforts, thus producing immediate results in

livestock breeding and making it possible simultaneously to mechanize several stables. Among the disadvantages are the necessity to use DK (not further identified), the greater space requirements per livestock unit, the lowering of the wintertime stable temperatures due to the opening of the gates, and the problems in connection with the black-white separation. For these reasons and for reasons of economy in regard to liquid energy sources, it is desirable to use stationary electric installations wherever this is feasible.

Regarding the selection and final decision concerning application of the respective procedure, one must proceed with great conscientiousness, with due regard for the economic possibilities, the planned development, the manpower situation, the available facilities, the economic operation of the enterprise as a whole, and site-related factors. The responsibility for this decision rests on the LPG and the VEG and on the cooperation councils and the councils for agriculture and the food industry (RLN). The state-owned enterprises of the agrotechnical installation building industry and the engineering offices at the scientific-technical centers in the bezirks [GDR administrative unit] are obligated actively to support these efforts. The decisions must be made not separately for each individual stable, but for the entire LPG and the kreis [GDR administrative unit] and they must be reflected in the rationalization conceptions.

As regards manure removal, the following trends have crystallized as a result of the evaluation of scientific findings and practical experience:

- In livestock breeding, both the litter-based system and the litterless system will be retained;
- in all rationalization and reconstruction measures and in the expansion of conventional stable installations in regions in which the use of liquid manure is prohibited for reasons of water and environmental protection and agricultural and crop-related problems, the litter-based system should be employed;
- as regards the litterless system, it is necessary to create conditions--in accordance with the regional conditions in regard to rationalization, reconstruction and expansion of stable installations--that allow an efficient and harmless application of liquid manure in crop cultivation.

Concrete measures concerning appropriate manure and liquid manure management are a key factor in regard to solution of existing problems. In the litterless system, the production of liquid manure rich in dry substance should be enforced (dry-substance content 5 to 6 percent).

The cooperatives should be supported in the implementation of the following measures:

- Separation of the production waste water produced in milking installations, feeding halls, social facilities, etc., from the liquid manure and separate processing of this waste water;
- separate drainage of the rainwater;
- relocation of the watering places to the trough;

- insuring continuous operation of the watering places;
- reduction of the cleansing water volume;
- application of the liquid manure flushing system;
- application of mechanized surface manure removal systems;
- employment of sliding sluices.

Augmentation of the liquid manure's content of dry substance significantly affects the expenditures on liquid manure removal. In establishing the norms and quotas for the use of DK [not further identified] in liquid manure disposal, one should always proceed from a dry-substance content of 5 to 6 percent. Besides, it has been shown that the pertinent economic regulations concerning crop cultivation and livestock breeding have a stimulating effect in regard to a high dry-substance content of the liquid manure.

Normally, the equipment installed is apt to produce liquid manure distinguished by such higher dry-substance content. In addition, high-density liquid manure pumps and trailers are made available, by means of which liquid manure with a dry-substance content of approximately 14 percent can be moved and transported.

In stables and installations based on the litter system, it is necessary that along with the rationalization and reconstruction measures, measures be taken that are conducive toward efficient stable manure management. Above all, it will be necessary to set up appropriate manure platforms and liquid manure pits.

The best means of mechanization for stacking the stable manure are lifter trucks or loaders or--as a stationary system--scraping chains.

A new system is the manure removal by flushing. If the draining ducts are shallow, the liquid manure shows a high dry-substance content. However, employment of this system presupposes separation of the manure into dry and liquid matter so as to obtain the flushing liquid.

As regards the developmental trend in regard to the mechanization of the feeding process, it is safe to assume that there will be an increase in coarse fodder in both cattle and pig feeding.

The feeding technologies must be designed so as to allow efficient use of the available feeds in accordance with the respective livestock category. In deciding whether the feed processing should be centralized or decentralized, one must take into account the conditions at the respective site. Any construction work required for the feed processing should be based on building elements requiring little construction input.

Regarding the nonstationary feed distribution, the five-year plan provides for feed distribution vehicles of the types L 432, H 223, KTU-10, M 23, and M 225.

As regards the distribution of coarse fodder in the cattle-breeding sector, no special equipment is available. This problem opens up concrete opportunities for the innovators.

The water distribution for calves is accomplished by means of the bucket chain, the circular milk pipe, and hand- or tractor-drawn distribution vehicles.

Regarding the stationary cattle feeding, it is necessary to employ overhead T 228 feed distribution belts or T 908 crib extension belts; the crib extension belt is better suited for distributing the coarse fodder and the ensilage. The loading of these belts can be carried out by means of feed distribution cars or T 430 belt conveyors combined with dosing devices for feed concentrates and minerals.

The dry-feed distribution in the pig and fowl breeding sector should be based primarily on the pipe feeding installation; in combination with the flexible feeding schedule, this installation offers the advantage of requiring very little space and working time. A disadvantage is the fact that this system can be used only for new dry-feed preparations.

Even though it is likewise space-saving and allows a relatively variegated use of feedstuffs, the F 989/1 installation for the distribution of liquid feeds is presently used only on a small scale.

It is planned further to develop the equipment for the processing of hoed crops and kitchen wastes. The industrial sector is expected to produce—in accordance with demand—steam-processing equipment distinguished by reduced specific calorific energy consumption.

The efforts concerning the mechanization of feeding processes are oriented toward elimination of manual labor and of tractor-drawn trailers, which still account for approximately one-third of the total feeding work volume. In this respect, significant working time savings can be effected.

In regard to stabling technology, it is planned to use the proven standard equipment produced by the Nauen Installation Combine VEB.

Regarding stabling technologies, the primary objective is to attain or exceed the service life targets. In this connection, it is necessary to improve maintenance, repair and both primary and repeat corrosion protection.

In connection with rationalization and reconstruction measures, it is imperative to overhaul on a much larger scale run-down stabling equipment and other equipment used in livestock breeding. To accomplish this, it will be necessary to develop the appropriate technologies.

In regard to manpower economy and raising the level of mechanization, milking technology is of crucial importance, since milkers are in short supply. At present, 50 percent of the workers employed in livestock breeding are engaged in the dairy cattle sector. Of the total working time of these workers, 50 percent is spent on the milking process. The objective is to replace all of the still existing pail-based milking installations by pipe milking systems and to set up herringbone milking stands wherever the animal concentration warrants this. This applies to at least 35 percent of the cows presently milked by means of pail-based installations and to at least 30 percent of the cows milked by means of pipe milking installations. In addition, it will be necessary to set up pasture-based milking centers. Another task is to add efficiency-increasing equipment to the existing milking installations.

Another primary objective is the assembly of equipment for the recovery of heat from the milk.

In regard to milking technology, technical diagnosis is assuming increasing importance. It helps to improve the quality of the milking process and to prevent breakdowns. Thus mechanization creates the conditions necessary for improving the livestock's output and health.

In regard to ventilation and air conditioning, the primary objective is to reduce the energy input. Thus it is necessary within the framework of rationalization and reconstruction measures to employ energy-saving systems and to take full advantage of all possibilities concerning the utilization of energy. Increasingly, the industrial sector and the cooperatives' own rationalization equipment construction departments provide the requisite equipment. Gravity ventilation should be employed wherever this is feasible.

Another important task is to properly maintain the ventilation systems, with attention directed above all to the regulating devices and to corrosion protection.

The 10th SED Congress raised the requirements concerning the production of rationalization equipment. The supply of rationalization equipment by agricultural installation building enterprises and the rapid employment of this equipment are key factors in regard to improvement of the efficiency of the production processes. By 1985, the output of rationalization equipment must be doubled, as compared to 1980. To accomplish this, it will be necessary to intensify the development, design and production of rationalization equipment in all agrotechnical enterprises.

We must proceed from the assumption

- that simple rationalization equipment which is characterized by a low level of complexity and which is of importance only for certain individual enterprises will be produced independently by the respective enterprises;
- that rationalization equipment, the production of which requires specific machine tools and which is of importance for a number of enterprises, should be produced by kreis-based or bezirk-based capacities under the jurisdiction of the kreis or bezirk councils;
- that rationalization equipment which is characterized by a high level of complexity and which necessitates high developmental, design and production input and which is of importance for the livestock breeding enterprises and agricultural installation building enterprises of the entire republic should be produced in the centrally controlled enterprises and combines and within the Agrotechnical Maintenance VVB (Association of State Enterprises).

On principle, the agrotechnical enterprises must produce the rationalization equipment for their own production processes and for livestock breeding; they must create or expand--in accordance with the production volume--the capacities for construction and development and for the construction of models and conditioning devices. In this regard, one should take into consideration that an annual commodity output valued at M 1 million requires approximately 1.2 to 1.6 designers and approximately 1.4 to 2 technologists, foremen, and designers of models and conditioning devices.

These capacities must be created above all through the tapping of the enterprises' own cadre reserves and through the employment of university and technical college graduates.

To insure the systematic preparation and effective implementation of the production of rationalization equipment for the livestock breeding sector and to insure rapid generalization of the experience gained, it is necessary further to intensify the product group work. Likewise, there is much room for improvement in regard to the KDT [Chamber of Technology] work and the innovator work.

8760

CSO: 2300/231

BANK PRESIDENT ON HUNGARY'S FOREIGN, DOMESTIC FINANCES

Budapest PENZUGYI SZEMLE in Hungarian No 3, 1982 pp 170-175

[Selected Remarks from a Press Conference Given by Dr Matyas Timar, president of the Hungarian National Bank]

[Text] We completed our 1981 annual plan amid very difficult international conditions, and it appears that we will have to reckon with the political and economic difficulties of international life also in this year. In the past quarter of a century perhaps there was not even a single year when international conditions had such a strong effect on the Hungarian economy. Therefore, for this very reason we must especially appreciate that we can point to good results in our foreign economy.

Foreign Exchange Management

The 1981 economic plan counted on an improvement in the foreign economic equilibrium within general equilibrium relations; accordingly, it called for the use of a smaller amount of foreign resources than the year before. Essentially, we arrived at these plan goals, and our foreign exchange situation in both main accounting forms--ruble and dollar--developed more favorably than in 1980 or as planned.

The international business situation was not favorable to our 1981 marketing activity, which was made more difficult by the protectionist measures of capitalist countries. It was a favorable factor, however, that the terms of trade for nonruble trade improved somewhat despite plan estimates.

We had to conduct our money market activities frequently under changing conditions. The foreign exchange markets were characterized by very high interest rates which surpassed all previous records, and by significant exchange rate movements. With the appropriate foreign exchange policy measures (and conscious exploitation of interest and rate of exchange developments) we still succeeded in preventing an increase in the burdens of foreign exchange financing.

We also conducted our credit activity amid difficult money and credit market conditions. The goal of our credit borrowing was to assure the continuity of our economic development: to finance developments which expand the

production of modern goods salable on all markets and which create the possibility of credit repayment by dint of increasing exports. Significant 1981 credit borrowings to serve such a goal were the following: we borrowed \$150 million from Bahrain and Kuwait financial institutes, and a consortium of Western banks negotiated with us a credit loan of \$400 million. In midyear we used the credit possibilities of the CEMA banks, and we received a long-term loan from the Soviet Union.

As a result of our financial policy, with its adjustment to the changing economic-financial situation and our keeping our payments balance within the planned limits of trade, we have been able to meet all our payments obligations fully and on time.

Last year, as is well known, we requested the acceptance of our country in the specialized financial institutions of the UN, the International Monetary Fund and the World Bank. This step is suited to our external financing policy and our economic relations with foreign countries; our application for acceptance is linked to the whole of the economic political policy we have followed thus far and to the process of the further development of our economic management system.

It is well known that on 1 October 1981 we introduced a unified exchange rate--identical for commercial and noncommercial accountings. With this, the function of the forint as a standard of value became more complete, the orienting role of the exchange rates increased, and the administrative work of many enterprises and institutions was simplified. The introduction of the unified exchange rate is an important station on the road to the consistent development of our economic management system. This measure did not affect our accountings with CEMA countries.

The unified exchange rates followed the level of the commercial exchange rate, and therefore a gradual raising of noncommercial rates preceded the measure. Considering this, we also changed the regulations regarding the conditions for the purchase of travel currency by the Hungarian population. Fees on the purchase of foreign currencies were moderated, or fully eliminated, or the maximum that could be purchased was increased.

Our nonruble tourist trade receipts were favorably influenced by the increase in the noncommercial exchange rates: we closed out the year with receipts of about \$215 million as compared to \$180 million in 1980. This represented an increase of almost 20 percent.

Improvement of the foreign economic equilibrium is also the central task in 1982. The plan counts on a further improvement in the commodity trade balance. To fulfill this goal, we also need to increase exports this year more rapidly than imports. The bank network must also assume additional important duties to solve the multiplying tasks. Among these the most important are:

--we must further increase our efforts to consolidate the good international reputation of our country and its international credit worthiness by increasing our economic results;

--we shall continue to borrow medium and long term credits within the planned limits, and for our goals. (We shall continue our activities on the traditional money markets, but we shall try incessantly to diversify our credit ties. The credits we borrow will serve in the future as well our export development goals.);

--we must carry out the tasks that have devolved on us as a result of joining the International Monetary Fund and the World Bank;

--within the limits approved in our credit policy guidelines, we shall support investments serving the expansion of convertible export goods by credit means;

--we shall continue to control the fulfillment of obligations undertaken in regard to export expanding investments, and when necessary we shall apply sanctions.

Our Credit Policy

The Council of Ministers decided on the guidelines for the 1982 credit policy in harmony with the requirements of the economic plan and the prescriptions of the plan and budget. Consistent with the economic policy goal, the credit policy continues to support economic efforts at the improvement of the economic equilibrium situation, the intensification of export capability and profitability, and the development of the marketing structure. Investments continue to receive an emphasis appropriate to their importance for the rationalization and reduction of energy consumption, the expansion of capacities assuring capitalist export, or replacing and supplementing imports from this relation, and the utilization of waste and secondary materials.

Equilibrium requirements have made necessary minor changes in extent and further tightening of management conditions in the scope of certain regulator elements. In this connection, several corrections and modifications in the credit-policy condition system have become necessary, among which the most important are the following:

--the strongly limited possibilities of investment credit require the strengthening of prior selection. To this end, we raised the minimum profitability requirements by 1 percent.

On 1 January 1982--to the extent and in the scope carried out on 1 September 1981--we further raised the interest rates. In the case of investment credits, the 1 percent increase also affected the existing investment stocks.

Tightening of credits became necessary also for the granting of investment credits designed to increase the exportable base of goods in order that we could meet the credit requirements of the best developments by using increased selection. Considering the narrow investment credit possibilities in 1982, we tightened the conversion requirement from the net foreign exchange yield. (Implementation and conversion time together may be at the maximum 4 years

as compared to the 3-year implementation time and the 3-year conversion time that has existed up to now.) We also extended this measure to import replacement credits.

The interest-conversion preference up to this point extended only to a raise in the convertible export commodity base and, to a lesser extent, to energy rationalization and import replacement. We expanded the preferred circle in 1982.

According to the principles and the programs of the energy rationalization program, our credit policy up to now has granted preferences to development credits serving this goal and--despite the relatively modest possibilities--assured the satisfaction of the credit requests that were submitted. The urgent economic interests linked to the speeding up of the program justified that in interest conditions for credit of this kind we should make a higher interest conversion of 33 percent possible if the investor fulfills the obligations it undertook.

Interest conversion will be 25 percent for credit designed to meet goals of waste and secondary raw material utilization.

Credit worthy small cooperatives and enterprises, as adjusted to their characteristics, may receive bank credit in the framework of simplified procedures for the realization of goals in harmony with credit policy guidelines.

The government is also stimulating the undertakings of small enterprises, small cooperatives and basic industries with special measures. The incentive is directed not only at initiatives but also at the finding of additional means; that is, the bank, in order to limit credit possibilities, can grant credit only for undertakings which are well founded and adequately covered by the founders.

To reduce accumulation and keep purchasing power within planned limits, we must mention that the bank seeks to speed up credit repayments.

It became necessary in the interest of working capital and the improvement of inventory management to modify, to a certain extent, the granting of credit for advances to the working capital fund. The enterprises and cooperatives remain obligated to replenish their working capital fund in accordance with the long-term increment of their working capital (inventories). If this is not fully possible because of the insufficiency of the development fund, at least 50 percent of the increment must be financed from eigen resources (the development fund) and the bank extends credit only for the remaining 50 percent. In the case of enterprises which increase their exports at a rapid rate or carry out a large volume of exports, the credit ratio can be a preferential 70 percent.

The bank also uses short-term working capital credit grants for achieving equilibrium goals by supporting profitable enterprise programs. At the same time, it excludes enterprises which produce over the long run for stockpiling

because of the lack of a market, or which accumulate inventories that are higher than justified.

Investments by enterprises and cooperatives in the past year have come to about 104 billion forints. Among these resources, we granted investment credits of 24 billion forints.

Below, we shall give an account of credit experiences regarding several developments emphasized for national economic reasons.

Credit Programs for Expanding the Export Goods Base

In 1981, the industrial enterprises and the large agricultural operations showed a lively interest in credits for expanding the convertible export commodity base. The total sum of export expansion and import replacement credit requests and proposals were 3.5 times more than similar investment applications submitted in 1980. Of the 65 billion forint investment credits for the expansion of the convertible export goods base under the Sixth Five-Year Plan, the bank undertook by the end of 1981 to negotiate 27.5 billion forints' worth of obligations. (Of this, 7 billion forints were already approved in the preceding plan period.) Industry received 20.8 billion forints, agriculture 5.9 billion forints, and other economic branches 0.8 billion forints.

Almost one-half of this type of investment credits negotiated in 1981 were for solving our energy problems and for using waste materials. These investments were, and are, implemented generally in industry, and thus industrial enterprise credits represent about two-thirds of the total obligated this year.

The year 1981 was characterized by the fact that the interest of the economic organs was directed primarily at implementing import replacement investments rather than at further expansion of export capacities. A role was played in this by the uncertainty of the export markets as well as many other factors. This has led to where following the transfer of investment established or being built with the help of credits approved in 1981, the enterprises and cooperatives marketed a greater ratio of the production domestically--with the promise of reducing imports, moderating energy consumption, and assuring a production base. Only a small ratio of the credits approved in 1981 meets the original goal of the credit program, that is, direct expansion of convertible goods capacities.

The credit commitment prescribed for 1981 was exhausted by midyear. Considering the large credit demand, the State Plan Committee contributed--for the sake of credit continuity--to a billion forint increase in the investment stock, and to the export development use of surplus credit amortizations and redeployments from other sources. Thus in 1981 there were opportunities for negotiating 10 billion forints' worth of credit. But the increase in the credit total did not make it possible for us to satisfy all credit applications that met the advertised credit conditions.

There is a very close relationship between the capitalist export trend of the plan and the size of the credit possibilities for convertible export expansion (import replacement). Therefore, to the extent possible we must use this investment credit for expanding the export commodity base for facilities which will yield net foreign exchange receipts in this plan period.

In addition to the Hungarian National Bank, credits were extended by the MKB (Hungarian Foreign Trade Bank) and the CIB (Central European International Bank) for implementing investments to expand the convertible goods base. These credits are granted by the MKB and the CIB essentially on basis of the same principles as by the Hungarian National Bank.

Energy Rationalization

In 1981 we extended credit for energy rationalization in a total of 68 cases in industry and in the food economy, which came to 2 billion 788 million forints. As a result of these rationalization and modernization projects, it is expected that the planned energy savings will amount annually to 90,000 tons. Under the title of basic industry development, we approved credits of 887 million forints for four investments amounting to 1 billion forints. The FEG [Firearm and Gas Equipment Factory] received a significant 300 million forints in credit for the development of basic industry products, and the Building Joiner and Wood Industry Enterprise received 532 million forints for the modernization of door and window manufacture.

The government's energy management program also designated as a task the speeding up of work at the catalytic cracking plant for the Danube Petroleum Industry Enterprise. In July of last year we approved for this development a credit of 147 million forints for expanding the convertible exports goods base, the goal of which was to process 1 million tons of heating oil to improve the yield of white goods. The implementation of the development is proceeding according to plan.

In the spirit of government resolutions regarding the increased use of domestic energy sources, we approved bank credits in 1981 for implementing four important coal mining investments for a total of about 5 billion forints. These included:

--3.7 billion forints for establishing the Lencsehegy II Mines for the purpose of more profitable coal production;

--with the other two credit extensions--the construction of the Dorog briquet factory and the expansion of Varpalota briquet manufacture--we promoted a significant increase in briquet production capacity. All three investments will be completed in 1984.

In connection with the government program starting this year, we shall offer special credit possibilities for supporting energy rationalization developments. The decision is related to the fact that since energy and raw material prices have risen on the world market we must reduce energy and raw material consumption to improve the equilibrium of the economic payments balance.

Credit policy guidelines for 1982 call for an allocation of 1.5 billion forints for energy-saving investments.

Use of Waste and Secondary Raw Materials

The action program under the Sixth Five-Year plan for waste and raw material use calls for an investment of 10.2 billion forints with the following distribution: 3.3 billion forints from enterprise eigen sources, 2.9 billion forints from bank investment credit, and 1 billion forints from state loans and other outside money sources.

For the financing of these developments, the banks up to now have approved about 2 billion forints' worth of investment credit as follows:

- 1.4 billion forints from the convertible credit budget,
- 0.6 billion forints from the sub-branch credit budget.

In the framework of convertible credits, we loaned 790 million forints for the establishment of the Danube Iron Works slag tip processing plant (they process 1 and one-half million tons of slag at the plant annually); 120 million forints to the Cotton Spinning Industrial Enterprise (they manufacture 1,050 tons of cotton thread from waste annually); 171 million forints to the BIOGAL Pharmaceutical Enterprise to establish an etylacetate waste processing plant. In addition, we loaned two textile plants almost 100 million forints, and eight state farms or agricultural producer cooperatives almost 200 million forints for processing slaughterhouse waste and for the development of tire retreading, etc. plants.

Within the sub-branch credit budget, we extended the greatest number and relatively the largest sums for the processing of textile industry waste (340 million forints for five investments). Among these, the most important was the 286 million forint loan for two investments by Temagorg.

Investment and implementation possibilities for the separate programs are limited. Within the limits set by the government, we can support, even for waste and secondary raw material processing and for energy rationalization, only the best ideas and with appropriate selection. A credit budget of 0.5 billion forints is available for this purpose.

6691

CSO: 2500/199

ECONOMIC DECENTRALIZATION CREATES PROBLEMS OF COMPETITION, MONOPOLY

Budapest FIGYELO in Hungarian 31 Mar 82 p 5

[Article by Otto Lukacs: "Competition and Monopoly"]

[Text] Many decisions have been adopted recently to promote entrepreneurship and to strengthen competition. The legalization of small businesses, relaxation of the organizational framework of enterprises, and decentralization of certain large organizations all point in this direction. But it seems that up to now we have devoted hardly any attention to the struggle against monopoly, and within it against restraint-of-trade agreements. The latter are timely also because they sometimes appear in the guise of the new forms of association that are now fashionable, and thus some people could easily be misled by them.

Under perfect competition a market has such a large number of well-informed and mutually independent active participants that none of them is able to meaningfully influence the market through his market share. In principle this also requires that any company be able to easily enter or leave the market. Such competition, of course, does not exist in practice.

When mutually independent enterprises combine for some purpose--for example, to allocate among themselves their sources of procurement, divide market shares, etc.--such a combination is called a trust. The purpose of the trust is to limit competition.

Antitrust Laws

Most capitalist countries have laws against monopolies and trusts. These laws state that any agreement between two parties that restricts the activity of one party in any area is null and void. In the United States, for example, the Sherman Antitrust Act outlaws any agreement to allocate the domestic or foreign market, and any attempt to monopolize is prohibited. In principle, the person guilty of such conduct--in other words, not his company--is liable to a fine or even imprisonment.

The proportion of an entire market over which there must be effective control to qualify as monopoly varies by countries. In the case of food products in the United Kingdom, for example, a one-third share of the market is considered monopoly. In the United States a one-third share is usually insufficient for antitrust charges, but a two-thirds share is more than adequate. Actually the essential consideration is not the market share, but whether or not monopoly restricts competition.

If we in Hungary wish to encourage competition, then we too must strive to curb monopolistic enterprises that emerge often as a result of horizontal integration, and trust-like organizations such as associations, industrial committees, etc. The latter strive to allocate the market and fix prices, often with the approval of their supervising organs.

It is obvious that competition can be created only gradually, after the long years under a system that has been overtly or covertly distributive. However, competition is essential if we are to evaluate more meaningfully the operation of enterprises, and thereby also the work of their managers. Primarily competition can compel better and more-efficient work, and only it can be an effective weapon against indifference and the various forms of corruption.

Best Also the Worst

Economic competition can exist only between enterprises. The loser will not necessarily fall by the wayside, competition is essential if the work of the enterprise is to be comparable at all, and if the resources available for development are to be allocated to the better enterprise. In my opinion, it is illogical to support or single out a monopolistic enterprise (for example, to give it an award), because in the given area it is the best and simultaneously also the worst enterprise. The only exceptions to this rule, of course, are the monopolistic organizations whose survival and development depend primarily on the results they achieve in export markets.

In Hungary there are at present two decrees, issued by the Council of Minister, which prohibit market allocation or price fixing.

The first one is Decree No 33/75/11-29 MT on Product Distribution. Its Section 10 states the following: "Any agreement is prohibited that aims to allocate the market, or to exclude a specific circle of consumers from a sources of supply, or to limit the consumers' ability to choose among the sources of supply." The decree contains provisions for exemptions. An exemption may be granted jointly by the competent branch minister, Minister of Finance, and chairman of the National Material and Price Office.

But the decree fails to specify what share of the market qualifies as market allocation, whether 33, 50, 66 or perhaps 95 percent. It is likewise unclear who may institute proceedings if there is market allocation.

It can be attributed to this situation, among other things, that there is no official report of any case prosecuted on the basis of the above statutory provisions.

The other decree of the Council of Ministers, No 41/1979/11-01 MT, concerns price regulation. Its Section 17 states: "Any agreement on or regarding the price of a product is prohibited if its aim or result is the restriction of competition, the creation of a monopoly, or the securing of marketing and other material advantages."

The penalty also in this case is an economic fine. In my opinion, however, problems have arisen and could arise also from the fact that a decisive role in levying the economic fine has been played, and in some instances is still being played, by the pricing authority that might be identical with the supervising agency. Incidentally, on the basis of this decree there likewise were no proceedings.

No Proceedings Instituted

Resolution of the Council of Ministers No 1028 of 1 November 1979 on Principles for Establishing Unfair Profit likewise refers to the aforementioned decree on product distribution. Paragraph 5 of the chapter entitled "Conditions for Establishing Unfair Profit" states the following: "The price is not disproportionately high if it is warranted by the conditions of supply and demand, except if . . . (c) the enterprise creates such an imbalance of supply and demand that permits the charging of a disproportionately high price, particularly if it causes this by violating the regulations governing product distribution, by closing off some of the channels of product distribution; (d) the enterprise attains a disproportionately high price by abusing its economic superiority."

From an article published in the No 11, 1982 issue of FIGYELO (entitled "Price Regulation, Wage Regulation") it would seem that the price system introduced in 1980 does not require the reinforcement of the price-forming effect of domestic competition. In many instances, I believe, this is not so, neither in the competitive sphere nor in the noncompetitive area. Within the competitive sphere, in the case of products manufactured for sale at home, and which in many instances differ significantly from products manufactured for export so far as quality and modernness are concerned, the enterprises in most cases are able to charge all their costs--the rejects, waste, lack of organization--and still realize the level of profit attained on the nonruble-denominated market. The situation is even worse in the noncompetitive sphere: the enterprises are able to recover all their outlays in most cases. (And there are many ways in which costs can be converted into proceeds.) It is obvious that even if we set a percentual limit on the amount of profit that may be included in the prices of products supplied to the domestic market, wasteful use of resources will generate additional profit. Under the conditions of the new price mechanism, then, competition is just as necessary as it would have been under the conditions prior to the price mechanism's introduction. All this does not wish to imply that introduction of the 1980 price system does not represent significant progress.

The objection is frequently raised that the limited opportunities to import make competition illusory. In my opinion, the absence of competition from imports makes competition among domestic enterprises even more important.

It seems that the outlined decrees are inadequate to curb monopolies and trade-restraining organizations. Therefore the revision of these decrees is a timely task. In addition to updating the statutory regulations, of course, we also need an economic policy that will avail itself of the instruments at its disposal.

1014

CSO: 2500/194

HUNGARY'S INPUT-OUTPUT ANALYSIS VIEWED IN PERSPECTIVE

Budapest FIGYELO in Hungarian 31 Mar 82 p 3

[Article by Mrs Koos nee Eva Balsay: "Model and Economic Behavior"]

[Text] The use of input-output analysis has become more and more widespread in national economic and branch planning, and also in macroeconomic analyses. The input-output tables and the coefficients derived from them also help to substantiate economic-policy decisions. Hungarian work on input-output analysis has gained international recognition. It permits comparison of not only the economic level that the individual countries have attained, but also of their processes of economic development.

On the basis of the experience gained with the first experimental input-output table--it was constructed for 1957--the system of statistical reporting was revised to provide data for construction of an input-output table containing 90 to 100 sectors. To this end the previous traditional statistical observations on industry, foreign trade, consumption and investment were expanded.

The input-output tables published subsequently, including the one for 1968, were activity-oriented and covered only material production. (Small input-output tables were prepared according to this concept for each year beginning with 1959, and also five tables containing about 80 sectors.)

More recently the Central Bureau of Statics compiles once every three or four years an input-output table containing 80 to 100 sectors, and it regularly publishes annual aggregated tables containing 26 to 30 sectors. These tables monitor the transactions of both the material and nonmaterial sectors.

The input-output tables are constructed at the prices used in the national-income accounts, and the aggregated input-output tables retain the sector numbers and compilation frequency of the system of national-income accounts. The tables fit into the system of national economic accounts, and the individual categories--for example, the primary components of value: fixed capital depreciation, wages and other incomes, net income, (import) are identical.

Macroeconomic Indices

In accordance with the changes that took place in the economic processes, in 1976 we introduced several changes in methods and valuation. Since then, for example, we are using producer prices to determine the value of production.

To realistically evaluate the economic processes and prepare decisions, the planning and analytical economists require a system of macroeconomic indices. At present the input-output model that is based on the input-output table is the only available tool with which such indices can be generated. The indices express the relationship between products and economic resources. With their help it is possible to determine how much of what types of input were required in the various sectors of the economy to produce the goods and services resulting from national economic activity. These are so-called cumulative indices. (The so-called direct indicators supplied by conventional statistical accounting measure the input-output ratios only at the enterprise level, for example: the ratio of enterprise inputs for a given product, to the value added at the enterprise.) With the conventional system of indices it is possible to analyze the activity of only a given phase of production, whereas the cumulative indices express also the inputs of capital, labor, material, etc. in the preceding phases as well.

With the help of the cumulative indices it may be possible to determine that a seemingly very labor-intensive export is not really labor-intensive at the macroeconomic level. The explanation of this lies in the fact that the individual sectors vary considerably in the extent to which they utilize the inputs of the preceding phases. The cumulative inputs of fixed capital in the food industry and construction industry are five times their direct inputs, while in the machine industry the cumulative input of fixed capital is three times higher than its direct input. Therefore it is important to know the indirect input demands of the individual sectors, because in this way we are able to obtain a realistic picture of the labor intensity and capital intensity in the various sectors of the economy.

Since 1973, the Central Bureau of Statistics regularly compiles and publishes the system of indices linked to the national economy's final demand (consumption, gross accumulation, export) and its net indicators (net accumulation, the net balance of export and import). A single, generally applicable series of input-output indices does not reflect the economic processes. The so-called "national economic level" as a category of economic analysis is not of an absolute nature. To suitably substantiate economic decisions related to export-import activity, for example, it is expedient to use indices such that, as a result, only export will be taken into consideration.

The Central Bureau of Statistics is compiling its next input-output table, for 1981, and it will contain 100 sectors. The computations are organically linked to the previous ones, and thus they provide a starting point for more-detailed economic analyses, and for work on the construction of the input-output table.

We will continue to regularly compile the small input-output tables that will describe the production interrelations in a breakdown by 20 to 30 sectors, depending on the foreseeable demand for information. The content and form of this input-output table variant and of its derived system of input-output indices will not change. These input-output tables are comparable with the series of input-output tables that the Central Bureau of Statistics recently completed for the years from 1970 through 1979, on the basis of a uniform methodological concept. This will enhance suitable empirical substantiation of macroeconomic analyses.

Factor of Time

To link over time the economic data gained from input-output tables constructed for a series of years, our plans include the construction of a series of highly aggregated input-output tables containing about 8 to 10 sectors, together with the pertinent investment data by sectors.

Besides constructing input-output tables of the static type, we will regularly prepare also dynamic models based on input-output tables. Dynamic models that describe the change over time or the time path are indispensable to exploring the phenomena of the process of development. With their help we will attempt to explain what caused the economy to move from one state to another.

Also in conjunction with the dynamic models that explain development over time, it is important to pinpoint which are the factors that presumably have a decisive influence on economic development. Researchers are attempting to build into their models in a variety of ways the most important motive forces of economic development. A common feature of these attempts is that all researchers regard the establishment of new production capacities as the most important factor. We ourselves share this view, therefore we deem it necessary to construct an investment matrix.

Another line of our objectives is to fit the input-output model into the system of national economic models. Essentially we are striving to combine an economic model with an input-output model. Here the input-output model provides the production coefficients (the technology), while the econometric model attempts to formulate the behavior of economic subjects. We would like to develop a comprehensive macro-economic model that describes the processes both statically and dynamically, and attempts to formulate rules not only for objective technological interrelations but for patterns of economic behaviour as well.

1014

CSO: 2444/ 195

SIGNS OF REFORM WITHIN LARGE ENTERPRISES NOTED

Budapest NEPSZABADSAG in Hungarian 2 Apr 82 p 3

[Article by Istvan Orozsi: "The Reform Inside the Large Enterprise"]

[Text] Interesting, novel changes, awakening new ideas, took place this year in the internal guidance and interest system of the Cotton Print Industry Enterprise. Previously everything from materials acquisition to waste management, from guiding production to marketing belonged in the sphere of authority of the enterprise center, and the jurisdiction of the factory leadership was limited to carrying out central decisions and directives. Beginning 1 January 1982 two factories of the large enterprise received the right and authority for the independent production and marketing of the great majority of the products processed by them, naturally in harmony with the enterprise plans.

They Received the Right and Authority

At the Cotton Print Industry Enterprise they call this new organizational and management form an independent business sphere. This indicates in a telling way that the factories have been promoted from simple executors of central directives to active participants in enterprise business policy with a large sphere of authority. They have become directly interested in increasing profits, they can generate their own funds, as a result of their management, for development and to increase wages and personal incomes.

The Cotton Print Industry Enterprise is not the only management organ where the spirit of the economic guidance reform had not yet penetrated the internal life of the factory, where the old so-called direct guidance methods and the associated incentive forms had survived inside the enterprise. Nor is it the only large enterprise where they now want to organize factory rights and interest relationships on new foundations with a profound study of the practice thus far.

The reasons for the relative backwardness of the enterprise internal mechanism are various and complicated and how to move forward is not yet entirely clear even among experts. It is a fact that as long as an increase in production and the favorable development of quantitative indexes played a crucial role in improving profitability and the losses resulting from bad management could

be made to disappear by means of state supports, "winning" various concessions, very few enterprises were inclined to transform their internal guidance and interest systems. Indeed, as the tensions of managing with limited financial resources increased over the years many enterprises felt that the only possibility for carrying out the stressed tasks so important in the higher level judgment of their activity was to take their execution directly into the sphere of authority of the center, reducing rather than expanding the decision rights of the factories.

Waiting For Instructions From the Center

Even those who are not professionally acquainted with the internal guidance system know, see and hear much, on the basis of their own place of work experience, concerning the rigidity of relations between center and factories, the shifting of responsibility and the sharp conflicts concerning material interest. Let us see what is written about these tangled contradictions, increasingly difficult to bridge over, by an expert, a main department chief of the Hungarian Silk Industry Enterprise, in an article published in the weekly FIGYELO: "In the direct guidance system used thus far the factories did not organize production in the interest of profitability but rather tried to carry out tasks decided on by the center...and in the process--their interest dictated it--they concealed their own possibilities. They were not interested in better work because they only felt the problems accompanying new tasks; the center got the profit, it decided the wage level and the premiums which could be paid, it decided on investments.... Discovering and exploiting the possibilities of the individual factories fell outside the view of the leadership as long as the difficulties of the given factory did not threaten the economic situation of the entire enterprise."

Beginning in January of this year the internal guidance and interest system was radically changed at the Hungarian Silk Industry Enterprise also. At Ganz-Mavag, carrying out a large-scale reconstruction and modernization of the product structure, a comprehensive study and solution, as soon as possible, of the problem was put on the agenda also. Here we are talking about the machine industry, but the problems are similar to those of the textile industry enterprises mentioned. In the present internal guidance and interest system the factories of the large enterprise are not interested in introducing new products and modern technologies, are not sufficiently receptive to the market requirements regarding quality and adherence to time limits. And while the large enterprise, exporting one quarter to one third of its production, is assuming considerable risks, business obligations amounting to many hundreds of millions, there are virtually no material consequences for the factories in connection with their fulfillment.

In general the enterprises have known that the functioning of their internal mechanism was faulty, but it appears that the motives for change are now stronger and more determined. The economic director of the PNYV [Cotton Print Industry Enterprise] has this to say about the reasons for the decision: "We did not introduce the independent business sphere because it was prescribed for us somewhere or because we wanted to provide a good example; we did it because the changed circumstances forced us to do so. The price and regulator changes of 1980 made it clear to us also that the new tasks of increasing

efficiency and competitiveness could not be carried out without transforming an internal guidance and interest system which kept local initiative within narrow frameworks." Even domestic demand for the products of the enterprise had decreased and in the midst of sharpening competition foreign sales, especially on the capitalist market, were becoming increasingly difficult. Only recently did the PNYV get into a situation which demanded new leadership methods within the factory also and commanded: Change, take a chance, use your own strength!

Facing the Market

Thus the leaders of the PNYV rethought again and again the tasks and the possibilities. Thus they decided, in the new internal guidance system, to divide up in a new way the economic problems and tasks burdening the enterprise. It is necessary to gradually create material, financial, organizational and personnel conditions to increase factory independence and interest. As a first step, even last year, the factories being included in the independent business sphere could undertake ready-made clothing piecework for the domestic market in order to use their free capacity. It also became possible for them to use waste and remnant materials arising during production for reprocessing in accordance with domestic trade needs, to make money for their own profit out of what previously may have been lost or wasted.

This year the factories in the independent business sphere had a say in the marketing of export products also. The center can make a deal only with their agreement, and they have direct responsibility for precise fulfillment of the conditions of the contract made with the foreign partner also. Heretofore the large enterprise usually guaranteed the income of factory leaders and collectives in accordance with internal rules even if the goods produced by them were sold only at a lower profit, or even at a loss. From now on the factories will not have a share of enterprise profits in accordance with the so-called internal accounting prices, independent of profits from sales; their material interest will attach to the actually realized market, world market prices. Thus the center will no longer hold a financial umbrella over the factories, will no longer be inclined to cover losses deriving from possible local mistakes simply in order to ensure tranquil conditions for productive work at any price.

The development of the independent business sphere system (which was realized even earlier in a similar form by Taurus, Medicor and other large enterprises) means in practice that the factories of the large enterprise will no longer be insulated from the market. More precisely, it means that the economic guidance reform is actually entering the factory gate, making the entire enterprise face the market, so that all activities will adjust more flexibly to changes in the market. The center, freed of the daily burdens of operational guidance, can decide more carefully in the comprehensive, strategic, developmental, price policy and other questions affecting the whole large enterprise. In the factories, on the other hand, without the circuitous central detours and in the possession of first-hand market information, they can accelerate product development, which heretofore has usually been far behind demand, and, knowing their own possibilities, they can deliver more quickly what the customer wants.

All this, naturally, will require not only well thought out organizational measures and a precise definition of the conditions for factory independence and responsibility but also a new leadership view and practice. It will require time, patience and great self-restraint if the people at the center are not to intervene in matters which, according to the new setup, do not belong to their sphere but rather exclusively to that of the factory leaders. With a higher level organization of production the factory leaders must master the most important facts and rules for independent business activity. They must discover with what new products they can anticipate the competition, how to reduce production costs, how to get the factory collective and the enterprise significant extra income by virtue of better work.

The Test of Leadership

One test for the expansion of factory rights will be to discover who can make best use of the increased independence, who is suitable to carry out the new tasks and who is not. It may be that not everyone will succeed at first, because they must win the support of the workers for the fulfillment of the more difficult and more complex tasks also. Under conditions of independent management a democratic harmonization of individual and communal interests, the enlightenment and persuading work of party and trade union organs, can and must be organized in a new way. This is needed also because now the factory leader has not only the right but also the obligation to realize consistently the personal responsibility which previously was often lost sight of by subordinate leaders, to develop wage payment in accordance with the quantity and quality of work done, in the place of the egalitarianism which has become the custom, and to develop a just practice for material and moral recognition.

As a result of the increase in independence a host of new ideas and initiatives were realized even in the first months in the factories of the enterprises mentioned. The people, the local leaders, have begun to think and in a short time they solved many tasks with which no progress had been made for years.

Something similar happened at the Building Carpentry Industry and Wood Industry Enterprise also where the creation of an independent undertaking right extending to 30 percent of capacity created significant incentive last year for the factories to develop more quickly products which are better and more modern than those of their domestic competitors, products which can be exported to western European countries also, to counterbalance the reduced construction industry demand. At the Ganz Electric Works also the first year results of the new enterprise guidance and self-accounting system are good and reassuring. Although in the beginning, as the economic director of the Works has noted, a few of the factory unit leaders were rather nervous to find that from now on "they would have to get themselves accepted not by the supreme leaders of the enterprise but rather by their market partners, people who had little interest in manufacturing, material acquisition and quality problems and little understanding of local problems."

So the total picture is a varied one. Just as the given conditions of the enterprises and factories differ so the possibilities, methods and timing of a modernization of the internal guidance system are unique. At Ganz-Mavag

they are now working out new rules for factory independence and efficient material incentive within the enterprise and they plan to realize these gradually over the next 3-4 years. The leaders of the Cotton Print Industry Enterprise have posted the goal of having about 40 percent of all marketing by the enterprise done by factories working in the new interest form, the independent business spheres, by 1985.

There Are No Models

Naturally there are no models or formulas for modernization of the internal mechanism. This explains why at the enterprises mentioned, and elsewhere also, differing opinions clash and clash again about how to link, under the given conditions, the external regulators valid for the enterprise with the internal guidance and interest system. How and in what measure should extra profit be divided between the factories and the enterprise? How far can factory risk-taking extend? When and under what conditions should the enterprise help a factory which gets temporarily into a difficult financial position through no fault of its own?

Surely only on the basis of practical experience and with a knowledge of the future developmental conditions for enterprise independence will it be possible to give a satisfactory answer to these and similarly complex questions. But obviously this risk of uncertainty is much smaller than the profit promised by a determined undertaking of great decisions serving a modernization of the internal enterprise mechanism, raising the level of leadership, organization and management.

8984

CSO: 2500/205

NEWLY INDEPENDENT ENTERPRISES DEEMED SUCCESSFUL

Budapest MAGYAR NEMZET in Hungarian 10 Apr 82 p 3

[Article, no author given: "Experiences of the Newly Independent Industrial Enterprises"]

[Text] Since the beginning of the year several industrial machine factories which in the past belonged to major enterprises, have begun independent economic operation. The secretariat of the trade union of iron workers also followed with attention the start of the year and the experiences of the first few months, and is helping the plants in their work. It becomes evident from the trade union's evaluation that this time the reorganizations were better planned than the ones in previous years. The supervisory organs prepared the enterprises for the separation with more foresight. Even so some management problems have occurred which hindered the rapid solution of banking matters and other similar issues.

The enterprises in question--such as the Elzett Works, the Electrical Equipment and Appliance Works, the Csepel Specialty Machine Factory as well as the Tool and Small Machinery Sales Enterprise--prepared programs last year for the separation, or for the merger, and for organizing property issues and credit limitations. But the hiring of suitable management professionals is still a problem at some of the newly independent enterprises, since until now these functions were handled by the enterprise's headquarters.

The Laminated Goods Factory, which has split from the Elzett Works, has a production profile of zippers and toys. These products are primarily sold domestically, but simultaneously they have also planned a significant increase export of 10 to 12 percent. Based on the experiences of the first quarter, this can be achieved. Organizing the administrative work and developing a professional staff are some of the main problems of the newly independent factory. The Writing Instruments Factory was also severed from the bonds of the major enterprise. Broader cooperation of the factory collective and greater understanding were needed at the start of the new year because in the last couple of years this factory was operating at a loss. Thus, for the most part they had to find the solutions to this by their own resourcefulness. They succeeded in introducing plant and labor organization methods by which they could achieve cost savings of 20 percent. Their backlog of orders is already so large that their entire production capacity is committed.

The planned 11-12 percent production expansion and the initial successes economic efficiency are encouraging as far as the factory's future is concerned. Four other factories remain in the Elzett's network, and in the interest of work continuity they all entered into cooperative delivery contracts with the factories breaking away.

Five independent enterprises were formed from what used to be the VBKM [Electrical Equipment and Appliance Works]. The year started out smoothly at the home plant. The Electrical Equipment and Electronics Enterprise, and their supply of orders developed favorably during the first quarter. Beyond fulfilling the domestic needs, they have even increased their export by a few percent. The Ganz Switch and Appliance Factory have also made successful deals in recent months, so that they are able to utilize their entire capacity. The Electrical Appliance and Materials Factory prepared itself in good time for independent economic operation. At the same time, even in the independent framework they cannot for the time being fulfill completely the domestic need for lighting elements and equipment. Of the one-time VBKM enterprises the Elekthermax expects the fastest increases in production and sales. In spite of this, they are putting on the market fewer water heaters than commerce needs, because their capacity is limited. But at the same time they have already begun the design work on more modern models. They are planning product changes in the capitalist export, and will gradually eliminate production of the uneconomical room heaters standing on legs; they will increase the mass production of large kitchen elements which can be permanently installed. The ElCo Electrical Appliance and Construction Materials Factory was able to set up its new organizations on time and without increased manpower, and its year got off to a flying start. Based on the results of the first few months, their plan of a 12 percent sales increase from sales does not seem excessive.

Distribution of the social facilities represented a problem in the beginning in the reorganization of the VBKM factories. Several alternatives were prepared, and at the end they agreed that each factory which in the past operated a day care facility, kindergarten, sports facility or club, will continue to have the right to operate it. They divided up the vacation facilities and the costs of operating them.

The new organization of the Lifting Machinery Factory in Biharkeresztes, which has split off the Csepel Specialty Machine Factory, is now being built up. This represents a bigger problem for them because until now the factory has not been an independently accounting profit center. Also, their machinery park consisted almost completely of fully depreciated equipment. They are preparing a program to eliminate the problems and generate growth, and are also taking out short term loans.

Also as of the first of the year the Tool and Small Machinery Sales Enterprise was assimilated into GEPTÉK [Machinery Sales Enterprise]; the name of the new enterprise is Machinery and Tool Sales Enterprise. Cost management, the collective contracts and the incentive systems will be merged among other things, involving the social organs in the process.

PROBLEMS OF FOREIGN DEBT DISCUSSED

Warsaw SLOWO POWSZECHNE in Polish 12, 13, 14 Mar 82 p9

[Interview with Prof Dr Habilitowany Stanislaw Raczkowski, Main School of Planning and Statistics, by Marek Matusiak: "When Will There Be Light at the End of the Debt Tunnel?"]

[Text] [Question] As of this date, Prof Raczkowski, what is the level of our country's foreign indebtedness?

[Answer] It amounts to about 25.5 billion dollars.

[Question] Why did you use the word "about"?

[Answer] You have to remember that we made loans from banks of many countries. Therefore these sums are expressed in various currencies. As the exchange rates continually fall, to reduce the figures to some sort of common-denominator exchange rate -- usually we designate the amount in U.S. dollars, although in our concrete case, for example, we have larger debts in relation to West German banks than American ones -- is at any rate unstable, if not imprecise.

[Question] But 25.5 billion dollars is an enormous sum.

[Answer] I have some reservations to that statement. For my part I consider the indebtedness objectively not to be great at all. After all, the amount of debt per capita in Poland's case is smaller than, for example, it is in Hungary, the GDR, or Yugoslavia.

[Question] Nonetheless, nobody says that those countries are on the threshold of bankruptcy. Why is that?

[Answer] The reason is quite simple. In each of the above-mentioned countries here, exports are more than double Poland's in terms of per capita statistics.

[Question] We will return to that subject in a moment, but first I would like you to say a few words about the origin of our indebtedness.

[Answer] Undoubtedly we should include in the group of basic causes the fact that the credit of the 1970's did not help in the essential expansion of export facilities. Of course, certain undertakings were made in this sphere, and some of them are working pretty well, but this is a minimum of what we could actually have been accomplished.

Second, we overlooked the simple fact that far expanded coproduced imports would be essential for the production based on the large number of licenses we bought. Unfortunately, this fact was not reflected in the plans of those days. Meanwhile, the large extent of this phenomenon, which proved so important to our balance of payments, is proved by the fact that last year we spend nearly 2 billion dollars to buy essential supplies! Of course this does not count the cash purchases.

Finally, the third thing is that we must include among the group of basic errors in the economic policy of that time the assumption that we must expand per capita meat consumption from 50 kilograms in 1970 to more than 70 kilograms. The error of course consisted not of the desire to raise meat consumption but of the fact that the whole program came out of thin air without attention being given to whether or not we had a suitable fodder base to make it possible to expand our herds of livestock. As it soon turned out, it became necessary to import fodder at an increasingly greater rate. This means that we increased consumption using foreign money. Last year we had to spend about 3 billion dollars to import grain, fodder, and foodstuffs.

[Question] All this explains the growing trend of debt, but it does not explain why our economy broke down so suddenly, at least not in the sphere of our inability to make our payments, the capital installments, and the interest on credit.

[Answer] This was unavoidable, and the moment had to come sooner or later.

[Question] But why did it come now?

[Answer] For two reasons. First of all, the years 1980-1981 produced an absolutely drastic breakdown in Polish exports, and here we have to say that back in 1979 there was still the real possibility that beginning in 1983 we would be able gradually to pay off the debts along with the interest. Of course now that is impossible.

The other factor which we must absolutely point out is the fact that in the meantime the mean period for repaying credit has been greatly reduced. To put it in very brief terms, it is a question of the fact that more and more was borrowed to buy grain and supplies for industry, for which it is not possible to obtain credit for more than 2-3 years! Because the credit conditions were worse than before, the phenomenon I mentioned a moment ago occurred.

In this way our repayments to world financiers cumulated. A whole 70 percent of long- and intermediate-term credit repayments were to fall due in 1981-1983, excluding interest! After all, there is still the systematic repayment of short-term credit too.

[Question] And that is where we get the negotiations to extend our repayments, the negotiations in which after all you are participating. Nonetheless, I have the impression that now we simply have no choice and must keep on with the further process of indebtedness.

[Answer] The further deferrment of repayment is a far better, more advantageous solution. After all, we resolved only half the problem of last year's repayments. It is true that the negotiations concerning our 1981 debts ended, those guaranteed by the governments of the various countries, but we still have not managed to finalize the agreements with private banks. The question of this year's repayments is also still an open one.

Despite the impasse which has occurred several times, talks of this type, especially with regard to last year's debts, are still going on, and we hope that during the next few weeks we will have more favorable conclusions, because we and our creditors are both interested in this.

[Question] I am not sure that is enough, especially since there is nothing to point to the possibility of quickly rebuilding exports. Meanwhile, the possibility of obtaining further credit is a mere illusion.

[Answer] True enough, but are we going to be dealing long with such a situation? It is to be hoped that the suspension of credit for Poland is temporary, if only because the interest in expending such credit goes both ways. It is obvious that this would help us get through the crisis.

[Question] There is always still the possibility of trying for credit from the International Monetary Fund, at least in theory.

[Answer] This really is theory actually for the moment, because Poland still is not a member of it, but we expect that during this year we will become a member. Nonetheless, it must be remembered that we will not be able to use IMF credit de facto until next year.

But this really would be a great help, because this credit is granted for intermediate and even long periods, and the interest rates are far lower than market rates, which after all is not unimportant either. In the course of things this would improve the structure of our debt, and this would mean great relief in the burden of annual repayments.

After all, there are a whole lot of other benefits too. Our mere joining IMF would improve our situation on the credit market. In addition, as a member we would be able to apply to the World Bank, from which we could obtain long-term investment credit (even for 10-15 years). This would

permit us to make the necessary corrections or even to completely reconfigure the structure of our economy.

[Question] In order to activate export and slowly reduce the level of debt.

[Answer] Exactly. We must present the matter clearly: there is no other way out. Except that this applies not only to the expansion of exports but also to the reduction of the volume of imports to the absolute essentials.

For my part I see two sensitive points. First we must eliminate the deficit in trade in agricultural foodstuffs. Second, on the other hand, we should draw up and quickly inculcate a program to expand the economy in terms of saving energy and power. And it is obvious that to the greatest extent possible we must avail ourselves of our raw-materials resources, the richest in Europe. Coal is at the forefront.

[Question] I see that you are an optimist, because from what you have said we can see that we really have gotten into a debt spiral, but that by no means implies that there is no way out. Only, when will this occur?

[Answer] This depends on too many factors to be able to be precise in specifying a time. This certainly will not be possible during the next year or two, but after that the process of gradual normalization of our financial relations with foreign countries should begin.

10790

CSO: 2600/473

RAW MATERIALS SITUATION ANALYZED VIS-A-VIS HARD CURRENCY PROBLEMS

Secondary Raw Materials

Warsaw ZYCIE GOSPODARCZE in Polish No 10, 28 Mar 82 p 8

[Article by Franciszek Jurasz: "How to Get at Secondary Raw Materials"]

[Text] Ratios of secondary raw materials recovery and utilization in highly developed countries considerably exceed those attained in our country. Shortage of means for their utilization is not a valid excuse, since the economy has to shoulder the considerable burden of sanitation in urban areas and conservation anyway. The cost of transporting 1 cubic meter of public wastes to dump sites amounted to 100 zlotys as early as 1976. Now it has increased several fold. At the same time, funds must be provided for the operation of more than 800 dumps, taking up 2500 hectares of land for no useful purpose. Expenses keep going up. In 1975, 26.1 million cubic meters were removed in urban areas, whereas in 1977 - as much as 31.5 million. In 1990, 70.5 million cubic meters are supposed to be removed, and in 2000 - 113.7 million cubic meters. These unused reserves are irretrievably lost.

Improper management of secondary raw materials cannot be accepted by the society and is at the same time highly reprehensible, especially given the current raw materials shortage. However, it goes on, despite the intentions and measures by the decisionmaking centers to the contrary. The results of new measures are also in doubt.

I will try to respond to these doubts and simultaneously offer a radical solution to this problem in this article. The proposed solutions are certainly controversial. Sure enough, many opponents will step forth, especially from among those whose customary "order" and style of work are "turned upside down." Due to this, it would be feasible to offer these proposals for public discussion in order to find a solution to this pressing problem in the national economy. The stakes go into tens of billions of zlotys.

Official Lack of Appreciation

There is a deep-seated conviction that a considerable part of wastes consists of worthless materials. They are not entered in the books, not only at the enterprise level, but also in the legislative acts of the central organs of state administration.

For example, paragraph 6 of the Council of Ministers Decree No 258 of 8 November, 1974 regarding the utilization of non-metallic secondary raw materials states that "secondary raw materials, which cannot be utilized in accordance with paragraphs 3, 4 and 5 should be destroyed, when the considerations of security, hygiene and order in the enterprise so require." Decree No 9 of February, 1980 obligates enterprises to register only the currently utilized production wastes on the basis of both quantity and quality. Wastes that are not utilized should only be registered in terms of quantity. The official definition quoted in the Concise Economic Encyclopedia also distinguishes usable and unusable wastes (totally unusable or unusable due to the situation). Therefore, the change of attitude towards secondary raw materials should be initiated by the change of views on their usability and the definition of wastes in general.

The assumption that all kinds of production and post-consumption waste matter are usable and should be used must be the basis of these changes. This is justifiable, because various wastes retain their tangible form with certain useful features, such as heat-insulating, filling, impact-resistant, nutritional and energy-generating properties and so on. They are different from primary raw materials and finished goods with regard to only some features. All other properties either remain unchanged or worsen slightly. Some properties can be restored through proper regeneration processes. Besides, all wastes contain components which can be separated and used as basic raw materials to produce either new materials or goods such as animal fodder, fertilizers, fuel and so on.

Some manufacturing processes, especially of chemical and biological nature, impart new properties to the wastes (for example, industrial liquid wastes). They contain new compounds with certain properties that can be used to produce new goods. Finding the appropriate direction of waste handling and designing a feasible technological process are the only problem.

The elaboration of the increasingly popular managerial-technological system of multiple, cyclical consumption (circulation) of raw materials in closed circuit, called material recycling, has created opportunities for comprehensive handling of wastes as raw materials. In this system, consumed goods are returned as secondary raw materials for processing into finished goods.

Waste-free technologies are spreading further and further all over the world. They prevent the stockpiling and the necessity to decontaminate production waste-matter. All raw materials entering the manufacturing enterprise are completely processed. Unavoidable wastes are directly used for the eventual production of other goods. This increases the quantity of goods obtained from a unit of raw materials and at the same time eliminates environmental pollution.

Waste-free technology was used in the cellulose-paper mill complex built in the USSR jointly by CMEA countries. Instead of wastes, colophony, turpentine, distilled oil and other acids are produced there. In the USA, the wastes are used in similar plants to produce gasoline through pyrolysis and to recover methane and proteins.

The outlined premises and international experience would suggest a new wording of the definition of wastes and secondary raw materials:

The term "wastes" should denote raw and other materials, products or parts of the above, which have lost or changed their primary technological or usable properties in the process of manufacturing or consumption and, as a result of these changes, cannot be directly used in their initial function. However, they can and should be efficiently used as secondary raw materials according to their properties after eventual additional regenerative treatment and upgrading.

The term "secondary raw materials" should denote all production and post-consumption waste matter reused as raw materials in production of various goods, as animal feed, in heat generation, etc.

System of Recovery

Comprehensive and rational utilization of wastes as secondary raw materials can only be ensured through their selective recovery, stockpiling and immediate preservation measures. Selective handling of wastes should begin as early as the process of their collection in the household and continue through all further phases: accumulation in dumps, transportation, stockpiling, etc.

It is not possible to set up a new entity for this purpose due to its huge size and high cost. An organization already in existence should be used with appropriate modifications. Tens of thousands of people are employed in cleaning residential blocks, collecting and removing trash from residential blocks. This is why the fusion of sanitation with the recovery of secondary raw materials and the transfer of these functions to one institution should become the foundation of the future system.

In a time of severe raw materials shortage, secondary raw materials can be the only base for developing the local and cottage industries. This enterprise also provides an important additional source of revenue for the city. Due to these considerations, the entire apparatus of secondary raw materials recovery in a given area, that is building caretakers and the City Sanitation Departments, must be subordinated to the regional organs of state administration. This would create real prerequisites for a considerable increase in secondary raw materials recovery with a simultaneous reduction in the costs of recovery.

New Enterprises of Secondary Raw Materials Recovery and City Sanitation set up on the basis of existing voivodship and city urban sanitation departments and, in part, of district enterprises of secondary raw materials procurement, subordinated to the former Association of Secondary Raw Materials Enterprises and the Central Union of Labor Cooperatives (CZSP) will become the basic organizational units in urban areas in charge of raw materials recovery from wastes. These enterprises would be directly subordinated to the city administration. The following would fall within the scope of their responsibilities.

- the organization of all indispensable actions aimed at comprehensive recovery and handling of raw materials extracted from wastes removed in the area of a given city;
- the creation of and supervision over block collection sites of secondary raw materials and the provision of special containers and equipment for them;
- consistent removal and transportation of secondary raw materials stockpiled on collection sites;
- preliminary upgrading (cleaning, washing, sorting and so on) of secondary raw materials;
- temporary stockpiling and sales of secondary raw materials to manufacturing enterprises, cottage industry and organizations involved in raw materials turnover;
- the start-up and promotion of manufacturing of various goods from secondary raw materials;
- urban sanitation.

Block collection sites for secondary raw materials which would take the place of defunct trash dumps would be the primary material base for this enterprise. On the area served by two or three trash dumps of the block one collection site would be set up equipped with appropriately locked containers for waste paper, textiles, glass, wood, plastics, rubber, metals, dry food wastes and various other wastes, which would be segregated in city warehouses.

In order to make it easier for population to store particular kinds of wastes selectively, household wastebaskets should also be designed in a different way. The wastebaskets should consist of three or four separate small containers suspended on a common supporting fixture.

Until the population gets used to the new principles, selective trash collection can be conducted under the supervision of building caretakers at hours which are convenient for the population. For the rest of the day, the containers would be locked. Besides free collection of wastes, the building caretaker would maintain a procurement point in accordance with the principles defined and published beforehand. Only certain kinds of secondary raw materials would be purchased, such as, for example, textiles, waste paper, plastics, rubber, when delivered to block collection sites in larger quantities, properly cleaned and segregated.

In order to make it possible for the home owner to carry out all these activities it is necessary to provide an appropriate room. In the period of transition, unused kiosks and mobile frame houses, retired buses, containers and some rooms so far used by building caretakers in apartment complexes could be used. In newly constructed housing areas, collection sites should be designed, constructed and equipped along with the rooms for the building caretaker, simultaneously with the entire trade and social base of the housing area.

Making the building caretaker responsible for servicing the block collection site calls for widening and changing the scope of their tasks and organization of their work. They would work in teams servicing a larger number of houses than they do now. This labor schedule enables them to service the sites in the morning and at night.

A possibility of subordinating building caretakers to the Enterprise for Secondary Raw Materials Recovery and City Sanitation can be considered. In part, this can be justified by the predominance of activities associated with maintaining cleanliness. Administration of housing complexes and cooperatives would pay a fee to the enterprise for providing this service. In case the current subordination is kept, the remuneration of building caretakers (higher than the present rate) will consist of the basic salary and a separate bonus for the collection of a given number of secondary raw materials.

Particular kinds of secondary raw materials stockpiled in block collecting sites would be systematically removed, either in containers or in bulk, by specially adapted cars and transported directly to processing enterprises or to specialized trade units, or, alternatively, to the enterprise's own preliminary upgrading department.

A certain part of secondary raw materials recovered in cities could not be utilized locally. Therefore, provisions should be made for the turnover of these materials all over Poland and abroad. In justified cases, separate enterprises specialized in trading certain assortments can be set up or maintained. This is especially so with regard to the Scrap Management Agency (CGZ) and the turnover of non-metallic raw materials.

Recovery of wastes from rural homes cannot be based on the principles applicable in urban areas due to dispersed settlement, lack of rural sanitation services and the use of some secondary raw materials inside rural households by farmers (for example, in feeding hogs). It is suggested that the current forms of waste recovery based on procurement and collections arranged by schools and social organizations be kept. A network of mobile procurement points should be well developed.

Comparative studies by the Main Research and Development Center for Materials Management (COBRGM) of the shares of secondary raw materials in material input of goods manufactured in Poland and abroad suggest that our industry does not take full advantage of opportunities to increase waste handling.

At the scientific conference in Glucholazy in October 1981, representatives of the scientific community and of the industry producing textile machinery stated that elaborated technologies and equipment would make it possible to utilize 100 percent of all textile production and post-consumption waste matter. The low rate of usage of these wastes is due to the lack of machinery for preliminary processing which we prefer to export rather than use in our own industry, to barriers of an economic, financial and price nature, which make processing of secondary raw materials unprofitable and to the lack of interest in processing secondary raw materials on the part of industry.

These barriers can be surmounted, and especially so in the environment of the reformed system of management in economic units. Besides, industry and cottage industry, which should be given a chance to start up production from wastes, provide a great opportunity for waste handling. Local authorities should display initiative in this sphere.

Imports Necessary

Warsaw ZYCIE GOSPODARCZE No 10, 28 Mar 82 p 8

[Article by Krzysztof Fronczak: "We Should Look Beneath Our Feet"; passages in slantlines printed in boldface]

[Text] / Ours is a country well endowed with raw materials. Though we would dream of big crude and all the ensuing benefits translated into foreign exchange funds, it would not be correct to say that mother nature skimmed on bestowing her blessings upon us. We have more than just coal, copper and sulphur. We have at our disposal a total of 3,400 geologically documented deposits of almost 60 different minerals with a total of 170 billion tons of resources. Total output from about 3,000 exploited deposits and points of recovery amounts to 540 million tons of solid minerals and oil and about 6 billion Nm³ [cubic meters] of natural gas annually. The draw-down on reserves associated with mining is made up for by the increment in newly documented deposits amounting to 7 billion tons annually. /

It could seem that we are able to look forward to the future with confidence. However, the last few months of cuts in foreign-exchange resources have graphically proved how far down the dead end road of dependency of foreign supplies we have gone. It turns out that we indeed are a reputable producer of our national treasures, such as coal, sulphur or copper. However, we have grossly neglected other, minor but no less important raw materials such as chalk, lime, dolomite, gypsum and so on. There is no lack of those in the earth. However, there is a long distance between having a deposit and developing it. Now, when we have to think twice before spending a dollar and sometimes do not have funds to spend, industry is faced with a shortage of raw materials which we, paradoxically, have!

/ In 1980, we imported 46 mineral raw materials at a price of 15.7 billion foreign exchange zlotys. / Naturally, crude oil, natural gas and iron ores were the basic raw materials, which cost us 11.8 billion foreign exchange zlotys, as well as potassium salts, phosphorites and apatites needed for agriculture (1.1 billion foreign exchange zlotys). Among the remaining 40 imported raw materials, we find the following absent inside Poland: metals of the platinum group, mercury, tungsten, bismuth, antimony, mica, asbestos. However, we also find raw materials which are available domestically in dispersed form, for example, in copper ores: cobalt, vanadium, molybdenum, nickel, selenium which could be recovered in processing the ores. Nonetheless, appropriate technologies have not either been developed or implemented. On this occasion, it should be remembered that it is exactly such upgrading elements as nickel, molybdenum, and cobalt that can be successfully recovered

from alloy steel scrap. Annually, sorted scrap containing about 4,500 tons of these elements must return to iron and steel plants. In practice, not more than 1,200 tons are recovered. This translates into a loss of about \$45 million annually (we wrote about this in ZYCIE GOSPODARCZE No 23, 1981). Let us figure that sum in as well. . .

Among the 40 imported special items [specjaly], anhydrite, construction lime and stone construction elements could be found. To say that there was not justification for importing them is to say nothing. Purchases of this kind cause a feeling of shame, though industry would still appreciate them. Raw materials available in the country but not mined in sufficient quantities to meet the demand or requiring further processing and upgrading close the list of purchases.

Kaolin, heat-resistant clays, fluorite, silica and diatomites, bentonite, quartz powder, feldspar, technological gypsum, technological chalk, dolomite flour, barite and quartzite belong to the last group. Expenditures for their importation amounted to more than 121 million foreign exchange zlotys in 1980. If it were not for the down-and-out payments situation, we would certainly still be complacently importing them.

From the point of view of the needs of our industry, this is a necessity, since domestic mining of these raw materials has not received much investment, has been exceptionally neglected and is trailing in its development, as well as processing and upgrading plants. However, from the point of view of broader interests of the national economy, burdened by debts beyond every limit, as elementary common sense suggests, keeping up imports of raw materials available domestically borders on nonsense.

/It is appropriate to ask how we got there. The answer is relatively simple, though the problem is not quite as simple to solve./

Without a doubt, the minor mineral industry was hurt by the general run on the foreign exchange coffers which were generously open in the 1970's. Development of domestic deposits and processing plants (it is semi-finished products and not the raw minerals that are mostly needed by industry) required a more or less sizable investment. There would have been a lead time before any effect came through. Import seemed more attractive, it provided raw materials immediately. Anything at all could be bought. I think that if industry had needed cobblestone in more fanciful shapes, it is not unimaginable that even this venture would have been funded. Why should we torment ourselves and cut stones while we can arrange for it in a more pleasurable fashion?

In yet another paradoxical aspect, domestic raw materials were ridiculously inexpensive. An ugly custom tells us to neglect things that are inexpensive, "since it is certainly worthless."

For a very long time the minor, but as has been belatedly recognized, important raw materials remained under the auspices of the ministry of construction and construction materials, which, strictly speaking, was the

ministry of industrial investment and housing projects. This tutelage sidled out. In practice, investment in a sludging plant for kaoline processing was no match for yet another prefabricated concrete elements plant. All needed components could be imported. When design and technology were available, in certain cases it was possible to push ahead, and construction of an upgrading plant was started. After some time, the contracting enterprise will be transferred to the construction site of another standard-bearing investment project. As a result, we have a dozen bungled investment projects in the mining and processing industry where ten years of construction amounted to actually no progress at all.

It is not true to say that nobody took notice, nobody brought up the problem. Geologists for years have drawn attention to the short-sightedness of the implemented policy. The Central Directorate of Geology regularly prepared substantive reports for economic authorities. The latest were prepared in 1976 and 1979. They were left without response. The analysis being elaborated this year, which will be submitted to the Economic Committee of the Council of Ministers as early as March, now bears sad testimony to jauntiness, not to put it more bluntly - stupidity.

Over the last few months, a great deal has been said and written about us having our own raw materials for which we only have to bend over. It is surprising that we have not already done so. Indeed, many of these problems can be solved, but, let us not deceive ourselves, never for free, never without investment.

There are no deposits which can be tapped with nothing but bare hands. Mostly, an additional investment project must be undertaken, construction of installations already being built must be speeded up. It is necessary to retool existing upgrading plants and quarries and to build new ones, to develop appropriate processing and enrichment technologies, sometimes to carry out additional geological work. This requires time and money, and not necessarily in large amounts, since even small producers for example, cooperatives can develop small deposits. However, some expenditures are indispensable.

It is also necessary to verify some views asserting that such ventures are sometimes unprofitable, since importing upgraded semi-finished products may still seem more inexpensive. A higher price in zlotys than in dollars should not at all objectively describe the cost of a raw material, and even more so, when foreign exchange funds are simply not available. Genuine calculations should be made once again in order to find out definitely what is more profitable. Otherwise, we will come to the same dead end once again.

9761
CSO: 2600/501

MEASURES TO IMPROVE ACTIVITY OF 'ROMENERGO' FOREIGN TRADE ENTERPRISE

Bucharest BULETINUL OFICIAL in Romanian Part I No 109, 23 Dec 81 pp 1-3

[Decree of the State Council on Some Measures for Improving the Activity of the Bucharest "Romenergo" Foreign Trade Enterprise]

[Text] The State Council of the Socialist Republic of Romania decrees:

Article 1. The Bucharest "Romenergo" Foreign Trade Enterprise fulfills the function of coordinator of the exportation of goods as a counterpart for the importation for nuclear-electric power stations.

Article 2. In the structure of the Bucharest "Romenergo" Foreign Trade Enterprise there are organized departments for pursuing the conclusion of contracts as a counterpart and the fulfillment of them, corresponding to the volume of activity. The organizational structure of this enterprise is supplemented with the position of deputy director.

Article 3. The activities of exportation, importation and international economic cooperation for conventional power equipment pass from the Bucharest "Uzinexportimport" Foreign Trade Enterprise to the Bucharest "Romenergo" Foreign Trade Enterprise, subordinate to the Bucharest Industrial Central for Power and Metallurgical Equipment and Hoisting Machines, under the guidance and control of the Ministry of the Machine Building Industry.

Article 4. The assets and liabilities established on the basis of the balance sheet drawn up, together with the economic and financial plan indicators and the economic contracts, relating to the activity of exportation, importation and international economic cooperation for conventional power equipment for 1981 and for the 1981-1985 5-year period, pass from the Bucharest "Uzinexportimport" Foreign Trade Enterprise to the Bucharest "Romenergo" Foreign Trade Enterprise, on the basis of a protocol.

The worker personnel who pass from the Bucharest "Uzinexportimport" Foreign Trade Enterprise to the Bucharest "Romenergo" Foreign Trade Enterprise are considered transferred in the interest of service.

Article 5. The Bucharest "Romenergo" Foreign Trade Enterprise is excepted from the application of the provisions of State Council Decree No 367/1980 regarding the blocking of vacant posts. The posts becoming vacant in other units through the transfer of personnel to the Bucharest "Romenergo" Foreign Trade Enterprise are not blocked.

Article 6. Appendix No 1 to State Council Decree No 276/1979 on Some Measures for Improving the Foreign Trade Activity, positions Nos 7 and 11, are amended in accordance with the appendix to the present decree.

Article 7. The provisions of the present decree are applied within the framework of the plan indicators approved for the Ministry of the Machine Building Industry for 1981.

Nicolae Ceausescu,
Chairman
of the Socialist Republic of Romania

Bucharest, 22 December 1981.
No 389.

Appendix

The Ministry of the Machine Building Industry

<u>Number</u>	<u>The Name and the Headquarters of the Enterprise</u>	<u>The Subordination of the Enterprise</u>	<u>The Object of Activity According to Main Groups of Products</u>
1....			
7.	"Usinexport-import" Bucharest	The Industrial Central for Power and Metallurgical Equipment and Hoisting Machines	<p style="text-align: center;">Exportation</p> <p>Complex installations, manufacturing lines and technological equipment for the machine-building industry, CKD <u>/completely knocked down/</u> for them; Complex installations and technological equipment for the food and refrigerating industries; Installations for silos; Complex installations, implements, basic equipment for the iron and steel, ferrous and nonferrous metallurgical and chemical-coke industries, the industry for fireproof, abrasive and carbonous materials, and spare parts for them; Technological equipment for secondary heat treatments, furnaces of all kinds and spare parts for them; Castings and forgings; Cement factories, manufacturing lines and technological equipment for the cement industry; Spare parts for the installations and equipment that it exports; Implements and equipment specific to the building of machines made according to the documentation of the customer; Licenses, patents of Romanian inventions, studies, designs, know-how, engineering, technology,</p>

assembly, technical assistance, schooling, and other work and services corresponding to its object of activity;

Foreign general supplier for the complex exports in the object of activity;

Services.

Importation

Factories, complex installations, manufacturing lines and technological equipment for the machine-building industry, CKD for them, and spare parts; Complex installations and equipment for the food and refrigerating industries, spare parts for them; Installations for silos;

Equipment for the food industry, including for bottling and packaging;

Complex installations for the National Council for Science and Technology;

Complex installations for the iron and steel, metallurgical and chemical-coke industries, the industry for fireproof, abrasive and carbonous materials, supplementary technological equipment and spare parts for the first equipping;

Machines, implements and equipment specific to the iron and steel, metallurgical and chemical-coke industries, the industry for fireproof, abrasive and carbonous materials, spare parts, furnaces of all kinds and the technological equipment for foundries; Apparatus for spectral analysis and for determination of hydrogen, oxygen, nitrogen and other elements in steel;

Technological turboblowers, electroblowers, turbo-compressors and electrocompressors for blast-furnace and coke-oven gases and oxygen;

Parts of installations and equipment for cement factories;

Equipment for the protection of metal surfaces;

Galvanizing installations;

Licenses, studies, designs, documentation, know-how, engineering, technical assistance, schooling, and other work and services corresponding to its object of activity;

Services.

....

11. "Romenergo"
Bucharest

The Industrial
Central for
Power and

Exportation

Electric power stations, complex power installations and basic equipment for the power industry;

Metallurgical Equipment and Hoisting Machines	<p>Hydroelectric power sets and hydromechanical equipment;</p> <p>Complex power-generating and nuclear installations and equipment for nuclear-electric power stations;</p> <p>Technological and supplementary implements and equipment specific to electric power stations and nuclear-electric power stations;</p> <p>Equipment for boilers and turbines, including boiler bottoms;</p> <p>Materials specific to the production of nuclear-electric implements and equipment;</p> <p>Power stations for urban and industrial district heating, thermal power sets for industrial heating;</p> <p>Diesel power stations with powers above 850 kilowatts and component parts;</p> <p>Spare parts for the installations and equipment that it exports;</p> <p>Engineering, studies, designs, documentation, know-how, technology, assembly licenses, technical assistance, schooling, and other work and services corresponding to its object of activity;</p> <p>Services.</p>
--	--

Importation

Electric power stations, complex power-generating and nuclear installations and equipment for nuclear-electric power stations;

Specific equipment, parts of installations and spare parts for the power industry;

Technological and supplementary implements and equipment, spare parts specific to electric and nuclear-electric power stations;

Equipment for boilers and turbines, including boiler bottoms;

Materials specific to the production of nuclear-electric equipment, if they are not listed in the object of activity of other foreign trade enterprises;

Thermal power sets for industrial and urban heating;

Licenses, studies, designs, documentation, know-how, engineering, technologies, technical assistance, schooling, and other work and services corresponding to its object of activity.

12105
CSO: 2700/255

ROMANIA

MINISTER DISCUSSES PRIORITIES IN COAL MINING INDUSTRY

Bucharest ROMANIA LIBERA in Romanian 27 Mar 82 and 30 Mar 82

[Interview with Ion Lazarescu minister of mines, by Stefan Zidarita]

[27 Mar 82, pp 1, 5]

[Text] [Question] Press reports almost daily speak of reorientation of world power industry toward coal utilization. We were not surprised. For almost a decade now firm measures have been taken in this country for the expansion of the coal-based power industry. Mr. Minister, please begin by dwelling on this provision of the party policy.

[Answer] It is true that as a result of our party's clear-sighted policy of economic development it has been possible to largely avoid the negative impact of the current world energy crisis. The oil crisis, which began 10 years ago, caught most countries during a period of regression in terms of oil mining. While in many countries coal mines were closed as unprofitable, in Romania the groundwork was laid for the marked development of coal mining and sensible utilization of hydrocarbons. Whereas in 1965 the coal-based electric power output accounted for 18% of all the electric energy produced, this year, coal underlies almost one-third of this output and 1985 will see a 47% proportion. Approximately half of the required amount of electric energy of the economy will thus be provided by coal-based thermoelectric power stations.

[Question] Consequently, in the context of the current world economic situation Romania has turned to workers in the coal mining industry, expecting the highest possible coal production for thermoelectric power stations and coking units of metallurgical combines. What are the guarantees that this will be the situation this year?

[Answer] The miners' efforts were reflected in significant rises in the coal output, for both thermoelectric power stations and coking units. Compared to 1975, the coal production in 1980 was 50% higher; in 1981, 36% higher, and in 1982, it is expected that it will be 20% higher than that for 1981. In the following years of the five-year plan, the coal production increases are greater and greater; in 1985, the level will be 2.5 times higher than that for 1980. For the purpose of completing the great tasks allotted us for this year and the entire five-year plan, specifically for the production of lignite for thermoelectric power stations, the ministry focuses on a set of measures that involve obtaining the production rises envisioned, the upgrading of coal quality, better use of material and financial assets. Prime measures include: stepping up pit and stripping operations and completing a greater

amount of operations for openings and underground preparation, in order to eliminate the backlogs from previous years and ensure the mandatory requirement of having coal reserves ready; concentrating efforts on completing the new production facilities that are decisive for the 1982 plan levels, both in terms of manpower and technical and material supplies; upgrading in terms of equipment utilization, as a result of better organization of work; shortening the periods of repairs and improving the quality of repairs. Lastly, improving the activity involving the work force, specifically for training and upgrading skills, more sensible utilization of this force by using the most appropriate forms of organization, standardization and remuneration of work, with the emphasis on the widest possible utilization of the overall contract system. Based on the measures taken and overall mobilization, which the miners have always known how to display, there is the guarantee that superior results will be obtained in implementing the plan.

[Question] How do you assess today the machine building industry's ability to provide the mining industry with the basic equipment?

[Answer] The machine building industry is capable of properly meeting the needs of the mining industry. Last year, the mining industry received more than 60,000 tons of domestic-made equipment. Efforts are being made to turn out machines and installations designed to increase mechanization in the mining industry -- 1981 saw the production of nine new types of machines, among them the wheel and scoop shovel type 470 for coal pits, the coalface cutter CA-2 and the drift cutter CI-2, the double arm boring unit, and so forth. However, the machine building industry still owes us, in terms of equipment. This involves arrangement for the production of some major facilities (such as heavy-duty axial mining fans, vertical mine pumps) but also delivery of equipment, in accordance with the contracts concluded, where there are arrears; or deliveries that do not comply with assembly schedules. There still are deficiencies in terms of quality. I have in mind the hydraulic units for mechanized support facilities in coal faces, which are produced at a level that is below the qualitative standard required by mining procedures; or the Diesel engines for underground mining, which are unsatisfactory in terms of environmental pollution standards. Nevertheless, we are optimistic. For the 1981-1985 Five-Year Plan, in conjunction with the Ministry of the Machine Building Industry, agreement was reached on a program for providing equipment to the mining units. The program involves arrangement for the production of new types of machines and installations and, in the context of better cooperation between the two ministries, it will ensure to the mining industry a qualitative leap in provision with technical equipment. Under this program, it is desirable that the equipment suppliers ensure a reduction in the time needed for arrangement for the production of new types of machines. This will permit the miners to benefit, as early as this year, from the input into production of basic facilities such as the pit boring installation, the coalface mechanization units types CMA and SMA, with the related hydraulic units.

[Question] In the well-known Valea Jiului, what are the qualitative changes in 1982?

[Answer] In the first place, the emphasis is on more rapid integration of technical advances, by use of new procedures and greater mechanization, as some of the decisive factors in completion of production assignments in coal mining. The efforts made in this area have made it possible to upgrade techniques and expand their use every year. Coal output from pits provided with mechanized units in 1982 will

be 3.3 million tons, versus 2.37 million tons in 1981. Hence, in operation will be more than 30 complex units (we should here also point out the introduction of great height mechanized support complex units); mechanized cutting and loading in longwall coalfaces will involve 3.9 million tons, versus 3.3 million tons in 1981; mechanized mine boring with drift sheavers will increase from 145,000 cu m in 1981 to 233,000 cu m in 1982, concurrently with extending the use of the procedure of drift supporting with machine mounted prefabricated sections out of reinforced concrete. Based on a program for recovery of coal reserves from protective pillars in Valea Jiului, 1982 will see the mining of about 200,000 coking coal. We plan to complete new coking coal facilities in the western part of the basin. As a result, mainly, of greater mechanization, labor productivity will go up more than 8% versus the level for 1981. These are only a few of the qualitative changes in Valea Jiului in 1982.

We shall continue the interview in the next issue, placing the emphasis on energy resources, specifically low-grade coal and shale.

[30 Mar 82, pp 1, 3]

[Text] [Question] A relatively new idea: shale, which until recently was considered inefficient. It appears that Romanian experience provides us with different value criteria in assessing this raw material.

[Answer] The shale deposits are scattered almost throughout the globe. They are of a sedimentary origin and contain variable amounts of organic substances and other components, such as aluminum and iron. In line with Romania's economic policy of putting to good use all domestic energy resources, shale, an important source of energy raw materials, is a major concern of our miners and energy experts. The main shale deposits occur in the south-western part of this country, at Anina and Doman, both in Caras-Severin County. The two deposits contain significant reserves with a calorific power ranging between 980-1200 kcal/kg. They will be mined by the open-pit procedure and will supply the thermoelectric power stations that will be built in the area. It is expected that the end of this year will see the opening of the Anina pit and the start-up of the first 330 MW power set. In 1985 the shale output will stand at 10 million tons/year.

[Question] In the overall mining production, open-pit mining has a great input. It accounts for more than 50% of the lignite for thermoelectric power stations. In 1985 open-pit mining will account for 54% of the lignite mined. What measures were taken to ensure the cadres required for this type of mining, which is totally different from underground mining?

[Answer] Ensuring the cadres for open-pit mining has been a main concern of ours. Here is a proof: the 1980-1981 period saw the training of more than 6500 workers in the Oltenia mining area alone. This was a considerable project. However, the needs for manpower in lignite pits has not been met completely. The difficulties result from the great personnel turnover. Because of this and of the significantly greater plan assignments, the party and state leadership, on the personal initiative of party secretary general Nicolae Ceausescu, assisted the units in the Oltenia basin and other major mining areas, in terms of skilled manpower and mining and conveyance facilities, as part of a drive commonly called "project 7000," a project which this year will assume a much broader scale than in previous years. Major human and

material resources from the other Romanian counties will be involved in the more rapid development of the base of coal for the power industry. On the line of upgrading the status of the work force, for the 1982-1985 period measures have already been taken to train more than 17,000 workers. More attention will be paid to ensure personnel with secondary and college training. Being trained this year alone are about 100 foremen. From the higher education ranks we expect to receive 187 assistant engineers and engineers. They will cover all specialties. In the following years we shall annually receive 100-110 engineers and assistant engineers each year while we shall train 100 foremen each year. For the purpose of abating personnel turnover in the area, more attention will be paid to creating social amenities -- housing, canteen, cultural and sports facilities, bath units, locker rooms, and so on.

[Question] I am very familiar with the Oltenia basin. It is the prime supplier of coal for the power industry. During recent years I made at least ten trips to that area. I have witnessed the great effort of the miner to boost coal output. However, I have three remarks which involve the overall management of the basin's units. Here is the first: what was specifically done to make the daily output rapidly reach the thermoelectric power stations' ovens, while avoiding considerable loss of thermal power as a result of storage at the pit mouth, under rain and snow?

[Answer] Following the instructions given by the party and state higher leadership, measures were taken to continuously reduce existing stockpiles in supplier units and to smoothly deliver the output. This was done to avoid long storage which, true, results in loss and qualitative depreciation. Coal stocks in supplier units now account for about 500,000 tons. This amount is about equal to the standardized level. The size of the standardized stocks derives from technological needs, for the purpose of assuring the continuity of the production process. Smooth delivery to thermoelectric power stations (with the exception of the Rogojelu power station which receives the coal directly on belts from pits and where this is ensured by proper maintenance of the main conveyor belts), to the other thermoelectric power stations, where coal is conveyed by railroad, involves better and better cooperation between the supplier units of our ministry and the units of the Ministry of Transportation and Telecommunications and the Ministry of Electric Power, throughout the production-loading-transportation cycle.

[Question] Your answer is very satisfactory. Follows the next remark. At the end of last year our newspaper reported that on the territory of the Oltenia coal basin there were machines, new or not so new, but unused, valued at 700 million lei. What is their status, in March 1982?

[Answer] In comparison to the situation at the end of last year, there has been an improvement. The measures taken have resulted in making operational facilities valued at more than 500 million lei -- see the bridge at Tismana II, the BRS takeover facility at Rosia de Jiu, and so forth. Moreover, measures were also taken to return to service 16 complex units for mechanized support in underground mining. In addition to these facilities which lay idle, there are new facilities in stock, at the investment projects. We must point out that this year will see the assembly and start-up of 12 excavators and six dumpers. Measures were taken to step up assembly operations.

[Question] The next and final remark involves the receptivity of your partners in increasing the output of coal for the power industry. Many times we heard at the scene: we lack cables, tires for vehicles, spare parts, conveyor belts, and so on. Still heard now are such justified requests for an industry which supplies the country's power industry.

[Answer] True, there were difficulties from the supplier group in terms of meeting the delivery schedules -- sections for mine sets, wire cables and electric cables, rubber mat, spare parts for mining facilities, and so forth. However, it must be pointed out that now most suppliers are displaying greater expeditiousness in complying with the contracts concluded. But difficulties still are reported in regard to smooth delivery pace. Involved are wire cables (supplier Ploiesti Cablu Romanesc Enterprise), electric cables for imported 1 KV combines and excavators, spare parts for mining facilities (suppliers Satu-Mare "Unio" Enterprise and Ploiesti "Imai" Enterprise), vulcanization materials for rubber mats. A special issue involves the poor quality of the rubber mat turned out by Tg. Jiu IATOR, which as a result of frequent breaking results in high-capacity conveyers being made inoperable, with significant production loss. What is the prospect? In conjunction with MAGF [Ministry of Supply and Management of Fixed Assets] methods were devised to ensure the necessary amounts for a number of materials and spare parts, in light of consumption standards. The surveys concerned will continue on a regular basis and the major suppliers will be involved.

[Question] Lately, I have been meeting you often in the Oltenia Basin. It is natural for the minister of the coal industry to be in direct touch with the greatest purveyor of coal for the power industry. But, for at least one year we have been expecting 100,000 tons of coal, daily, from this area -- the miners, themselves, pledged to provide this output. The question is: Do we have it? Will we have it? When and how?

[Answer] True, as early as last year the mining units in the Oltenia basin pledged to attain a daily output of 100,000 tons. But a number of objective and subjective causes prevented this from happening. The causes were examined at the time involved and the measures are known. Conditions are now being created so that the Oltenia basin, that is the Motru and Rovinari Combines, jointly, may provide a daily output of 100,000 tons. Today, outputs of 80,000 tons daily are frequently provided. Attaining the level of 100,000 tons a day will surely be made possible during the third quarter, which will see the finalization of the measures outlined, actually a set of measures that focus on completing new facilities, upgrading the utilization of machines and installations, better organization of work, enhancing discipline, inclusive of the measures relative to mutual assistance among coal units as part of "project 7000."

11710
CSO: 2700

ADVERSE EFFECTS OF INCREASED TRADE WITH USSR NOTED

Zagreb VJESNIK in Serbo-Croatian 17 Apr 82 SEDAM DANA p 4

[Article by Drago Buvac: "Out of the Wind in the East"]

[Text] The exaggerated orientation of our exports toward the socialist countries is neither an accident nor a "conspiracy" on the part of bureaucratic-statist forces, but a departure from the operation of the economic mechanism on the self-managing market.

It would be really ideal if both East and West had equal shares of between 35 and 40 percent of our foreign trade, and the other 20 percent or so with the developing countries, a share that would grow at a steady and realistically moderate pace. What is more, these are by no means trumped up coordinates of desires for Yugoslavia's politically stable, independent and nonaligned position in the contemporary world, but also economic parameters for its fastest and most effective economic development which have been historically confirmed.

This "ideal" relationship has begun to be disrupted with the ever greater difficulties of our economy. The indicator of the distribution of Yugoslav exports has in recent years been turning very strikingly toward the East European socialist countries, especially the Soviet Union. In 1981 about 50 percent of our exports went to the socialist countries, as compared to, say, 1970, when that share was 32.4 percent. (Over the same 10-year period the share of our exports to the advanced countries of the West fell from 57.1 percent to 32.7 percent, though their share in our imports has remained high: 59.3 percent in 1981.)

Nor has the deflection of the magnetic needle of Yugoslav exports to the East gone unnoted either among Western business executives or in their journals. Recalling that now Yugoslavia already has the largest share of its foreign trade with CEMA member countries than some of the full-fledged members of that organization, than Hungary, for example, the doomsaying Western commentators are already passing off their own theories about "Finlandization." One can spot in this context warnings to the effect that by virtue of this large economic dependence on the Soviet Union and the other CEMA member countries Yugoslavia is exposing its politically independent and nonaligned position to the possibilities of political pressure, should someone happen to be in need of it.

We should be sincere and make the distinction that some of these warnings are even well intentioned, supporting an independence and nonaligned Yugoslavia, above all out of self-interest, since it is such an important factor of stability in Europe and the world. These incidentally are not new discoveries of which we ourselves are unaware, given our international position and also the domestic political dimensions and economic dimensions of this problem.

First of all, there is nothing wrong with the growth of Yugoslav exports to the Soviet Union and the other socialist countries. Our export activity has in and of itself been lagging behind, so that there is room for its expansion in all directions, even to the East. The disproportion in the structure of our exports is in a way a statistical illusion because of the general decline of foreign trade, especially with the Western markets, where the competition is greater.

If one traces the involvement of the economic space of Yugoslavia in the international division of labor over the last 100 years, it has long been evident, certain patterns of its regional distribution have long been evident, regardless of economic systems and political disruptions. Eastern Europe has always been in a way our "natural" partner on an economic basis for a third of our foreign trade. If we look separately at trade with the Soviet Union, we easily spot the economic pattern of linkage between complementary economies: the interest of the Yugoslav economy in importing raw materials and energy, and the interest of the Soviet economy in our manufactured goods.

Now new elements can also be added to that complementarity. The hungry Soviet consumer market very quickly absorbs Yugoslav products of the textile, leather or wood industries, which for it are even fashionable articles, but unfortunately they are not attractive on West European markets either in their price or quality. Whereas on the one hand, then, we can be happy that our exports to the Soviet Union and other CEMA members is giving employment to plants and workers in these labor-intensive industries, red signal lights are beginning to light up over the question of whether they are thereby moving into an even deeper lag in the long run. Sheltered out of the wind by this safe market, where the price is higher and the quality lower than required by the discriminating Western consumer, there does not exist the mentality in economic behavior which could resist the temptation of relaxing in the effort to lower costs and promote constant technological progress.

The Yugoslav economy is attractive to the Soviet Union and the other East European socialist countries in that it is a "bridge between East and West" in its technological development. With imports of modern Western technology and under some sort of pressure of the market, in certain manufacturing industries it has regularly been in advance of the other socialist countries. Incidentally, in a way the East has also been "importing" Western technology through the Yugoslav economy at the price of our turning convertible currencies into bilateral-payment currencies, or sometimes a debt in convertible currencies into a surplus in bilateral-payment currencies.

The greater linkage of Yugoslavia's visible trade to the East European socialist countries is exposing our economy to the danger of losing the force of

that attractive magnet and of gradually giving in to lower labor productivity and a lapse of technological progress. It is no secret that these are precisely the weakest points of the economies of "real socialism." Even that kind of scientific-technical progress in which the Soviet Union has made the greatest strides--such as space exploration and the large energy, raw materials and military complex--have no relevance to the structuring of the Yugoslav economy or to the mechanism of its progress.

No country wants to be too dependent on someone else's economy. The Japanese, for example, are trying to reduce the one-fourth share of the United States in their foreign trade, taking the view that even that is enough for Washington to subject them to economic and political blackmail at certain moments. Regardless of the possibility of political pressures, the share of Yugoslav exports going to the socialist countries is excessive even from the standpoint of the adverse consequences for inclusion in the international division of labor on the foundation of higher productivity and up-to-date scientific-technical progress.

The fact that our economy has found a shelter out of the wind--comfortable in the short run, but pernicious in the long run--in excessive exports to the markets of the East European socialist countries is not, however, either an accident or any "conspiracy" on the part of bureaucratic-statist forces which, perhaps even unconsciously, feel that it is easier to resolve economic problems through the governmental mechanism of collaboration with the countries of "real socialism," and who then also find in this a *raison d'etre* for their own perpetuation.

Undoubtedly this shelter out of the wind also suits a portion of the political structure, even if it is aware of the consequences of exaggerated economic dependence on anyone, including an East European socialist country, even if it has made public declarations against that kind of turn of events--since it does not know any other way of resolving the problem.

Yet if our export flows have in recent years gone against the currents of our political commitments, then we should sincerely admit that this mechanism does have a certain internal logic. Though self-management has been in place for 30 years, our economic system is still burdened with elements of "real socialism"--take only the large share of accumulation in the national income on which decisions are made on a political and statist basis outside associated labor, or take the ideological obstacles to operation of the laws of the market--which are drawing our economy eastward to their own logic. So, establishing a "natural" relationship toward the East means reaffirming our own economic system of the self-managing market.

7045

CSO: 2800/368

SHORTAGES IN FOOD, OTHER CONSUMER ITEMS DISCUSSED

Zagreb DANAS in Serbo-Croatian 30 Mar 82 pp 12-13

[Article by Drago Loncar: "Ten Scarcities"]

[Text] How in coming months we will be procuring 10 of the most important products: meat, wheat, vegetable oil, sugar, butter, coffee, lemons, detergents, drugs and medical supplies--if there are any.

The roads which goods travel on the Yugoslav market are wondrous strange, to put it mildly. In the first 2 months of this year Voce (Fruit) of Zagreb imported and shipped to customers about 1.5 million kg of lemons, about 1.4 million kg of oranges, and 1.7 million kg of bananas. The import price of this tropical fruit ranged from 26 to 37 dinars per kilogram. However, the price of this fruit in stores was twice or even four times greater than one would expect in view of the import price.

Market inspectors undertook an investigation of the prices of lemons in stores of the Zagreb enterprise Prehrana (Food), and here is what they discovered: Greek lemons with the import declaration of Voce, which had imported them at a price of 37.39 dinars, were being sold in Zagreb at 76 dinars. Prehrana, which was selling these lemons to the public, purchased this commodity from the business unit Dalma of Split, which had previously purchased it from Poljopromet in Rijeka, which had in turn purchased it from Voce Coop in Belgrade, that is, from its OOUR [basic organization of associated labor] in Subotica, from which Prehrana of Zagreb had finally purchased it [sic] and sold it to the citizens of Zagreb. They all had included the markup and shipping costs in this transaction, and had thus realized earnings even though the lemons had not budged from Zagreb. The price was paid by the customer in Zagreb, who was altogether innocent, but he was happy to be able to get lemons at all. There are no oranges, for example, even though a sufficient quantity has been imported to meet the needs of Croatia; however, they are available in Varazdinska Toplice at a price of 110 dinars per kilogram, which is about four times more expensive than the import price! Exactly how many commercial work organizations calculated the markup and shipping costs on the oranges before they reached that store?

A Compact and Swindling

The swindling with tropical fruit has become for many merchants one of the most important sources of income, and that at a time when there is a shortage of this fruit and—still more interesting—at a time when a social compact has been signed on supply at the level of Yugoslavia which commits the republics and provinces to guarantee that on the market this year there is a sufficiency of meat, wheat, vegetable oil, sugar, butter, coffee, lemons, detergents, drugs and medical supplies.

These are those products which are not manufactured in the country at all or have so far not been produced in sufficient quantity.

This compact is one of the first attempts to solve the problem of supplying the most necessary and scarce products to the country's population at the Yugoslav level, regardless of republic boundaries. This concerns first of all the foreign exchange which must be furnished for lemons, coffee, drugs and medical supplies at the level of the republics and provinces, for sugar, vegetable oil, meat, wheat, butter, ready-made drugs and medical supplies at the federal level, and for raw materials for detergents, drugs, medical supplies and protein livestock feed in the production plants themselves.

The signatures of the republic and provincial executive councils and of secretariats for the market, of the economic chambers and of the SIZ's [self-managing community of interest] for foreign economic relations, which committed themselves to a sufficiency of those 10 most sought after products this year, were supposed to be the guarantee of implementation of the social compact. But we spoke with Hrvoje Skok, chairman of the Croatian Republic Committee for Commerce, who was the initiator of that Yugoslav method of settling the supply of the most necessary products to the population, about the extent to which the compact incorporates wishes and what the real possibilities are.

The social compact has three basic aims. The first is to strengthen domestic production (wheat, vegetable oil, protein livestock feed), and then we are endeavoring to import raw materials more than manufactures, and finally to guarantee supply of the most necessary foodstuffs, that is, to avoid shortages. The obligations of all the signatories of the compact were arrived at on the basis of mutually reconciled physical balances of the republics and provinces, which is actually one of the greatest obstacles to guaranteeing the citizens of our country full supply of these scarce products. That is, the totaled republic needs (stretched?) for the particular products differ considerably from the actual needs of the entire country. In actuality the differences occur between the republic balances and the assessment of the Federal Secretariat for the Market and General Economic Affairs.

The most marked discrepancy is for wheat and flour. According to the republic balances, Bosnia-Herzegovina is supposed to import 250,000 tons of wheat this year, Montenegro 35,000 tons, Croatia 170,000 tons, Macedonia 80,000 tons, Slovenia only 10,000 tons, Serbia proper 200,000 tons and Kosovo 60,000 tons. Totalling this up, we are supposed to import only 805,000 tons of wheat before the harvest, while the calculation at the level of Yugoslavia yields the

figure of 1.3 million tons, that is about 500,000 tons of wheat more than the republics declared in their balances.

The situation with vegetable oil is similar; supposedly the republics and provinces are to import only about 103,000 tons, while figures based on consumption in the past indicate that we must import at least about 154,000 tons!

Imports of the Nine Most Important Products by Republics and Provinces in 1982, in millions of dollars

Product	Bosnia-Hercegovina	Montenegro	Croatia	Macedonia	Slovenia	Serbia Proper	Kosovo	Vojvodina	Yugoslavia
Wheat	46.2	6.5	31.4	14.8	1.8	37.0	11.1	—	148.9
Vegetable oil	7.1	0.9	27.3	3.6	10.2	10.7	1.8	—	61.7
Sugar	—	—	11.9	1.7	1.7	7.0	1.4	—	22.0
Butter	1.25	0.5	1.25	0.2	1.0	2.1	—	—	6.3
Coffee	34.0	4.8	53.1	4.4	27.2	47.7	3.7	17.0	191.9
Lemons	3.9	0.6	7.2	1.5	5.4	4.8	1.2	1.8	26.4
Protein livestock feed	22.3	0.4	51.9	14.4	19.7	48.5	3.4	56.0	226.6
Drugs	14.0	2.3	81.9	16.8	103.8	98.7	6.0	36.8	360.3
Detergents	<u>4.6</u>	<u>0.7</u>	<u>38.6</u>	<u>8.1</u>	<u>31.8</u>	<u>33.6</u>	<u>—</u>	<u>2.4</u>	<u>119.8</u>
Total	133.3	16.7	304.5	65.5	212.6	290.1	28.6	114.0	1,165.3

Imports of the 10 scarcest products will cost our country (according to the reduced republic balances) about \$1.2 billion of foreign exchange. The wheat would cost about \$150 million, imports of vegetable oil \$62 million, sugar \$23 million, butter \$6.4 million, coffee \$192 million, lemons \$30 million, protein livestock feed (fish meal, soybean meal, soybeans, powdered milk) \$252 million, drugs \$360 million and detergents \$120 million.

Last Year's Experience

The question is indeed a serious one: Why are we lying to ourselves? Why is it that in their balances of these necessary products the republics and provinces have decreased the quantities which are to be imported? The social compact is a specific obligation pertaining to specific products, and whenever there is a shortage of vegetable oil, sugar, drugs or other products covered by the compact, every citizen will be able to point his finger at a specific guilty party. Since all the republics and provinces, and indeed the entire country for that matter, are suffering a shortage of foreign exchange, the reduced balances actually mean that the signatories of the compact will discharge their obligations, but there will still be shortages.

The next problem of this compact on supply are the self-management accords whereby the money (foreign exchange) is to be amassed to import these products. How has this been arranged in SR [Socialist Republic] Croatia? For those products which are produced in the country, and only the raw materials need to be imported (detergents, drugs), a third of the necessary foreign exchange will be furnished through SIZ's for foreign economic realtions, while the work organization must find the other two-thirds by concluding accords. For finished products (lemons, coffee) 60 percent of the necessary foreign exchange will be furnished in the same way. For meat an endeavor will be made to conduct a campaign for conclusion of self-management accords on a vertical basis in the cycle of reproduction from the producer (and importer) of livestock feed to the producer of the meat. At the federal level self-management accords will also be signed on imports of those products which will be arranged for the entire country.

The next difficulty are the effective foreign currencies which are to be found in the banks, and in Croatia an endeavor will be made to resolve this with a self-management accord among all 30 banks in the republic which would pool their foreign exchange for these purchases.

Given all the vacillations and shortages (of foreign exchange) accompanying this compact on supply, what benefit will we get from it in the end? According to Hrvoje Skok, experience from last year, when the Yugoslav compact on supply concerning these products was signed for the first time, indicates that the self-management method is the only one that will rid our country of shortages. Precisely because of this compact there were no major disruptions last year in the supply of meat (except for pork and poultry), vegetable oil, sugar and detergents. Judging, then, by those last year's results and the first experience in the unified supply of the Yugoslav market this year, the country should have considerably fewer shortages, at least with respect to these 10 products. Assuming the compact is honored.

[Box, p 12]

Imported Wheat, in thousands of tons

<u>Republics and Provinces</u>	<u>Estimate Based on Provincial and Republic Balance</u>	<u>Estimate of Federal Agencies</u>
Bosnia-Hercegovina	250	387
Montenegro	35	57
Croatia	170	170
Macedonia	80	120
Slovenia	10	80
Serbia	200	330
Kosovo	<u>60</u>	<u>146</u>
Total	805	1,129

Differences between the federal estimates and those of the republics and provinces on how much wheat we need to import this year run to all of approximately 500,000 tons! The republic and provincial estimates were adopted with the proviso that the republics and provinces would assume responsibility for any possible shortage of flour and wheat.

[Box, pp 12-13]

What There Will (Won't) Be

According to an estimate of the Economic Chamber of Yugoslavia, difficulties are expected this year in the supply of consumer goods:

- i. with flour and edible oil, because of differences between physical balances and actual needs. Even now this is being felt in Croatia and Bosnia-Herzegovina;
- ii. the supply of meat will continue to be smaller than the demand, and there will be a shortage not only of pork and poultry, but also of baby beef;
- iii. the higher milk prices have not had the result of a better supply of the market, and among the other dairy products whose largest problems will be with butter;
- iv. There should be enough sugar this year, as indeed there has been in the first months of this year;
- v. of the years since 1979, when the shortage of coffee first occurred, this year, 1982, will probably be the most critical one; that is, there will be even less on the market than up to now;
- vi. there will still not be enough detergents, tropical fruit, paper products other than stationary, coal, and light bulbs, since at present domestic suppliers are meeting only about 20 percent of the demand;
- vii. an occasional shortage will also be felt for household appliances, sound equipment, radio and TV receivers, and building supplies.

7045

END

CSO: 2800/365

END OF

FICHE

DATE FILMED

May 25, 1982

